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Management Tries Some Straight Talk

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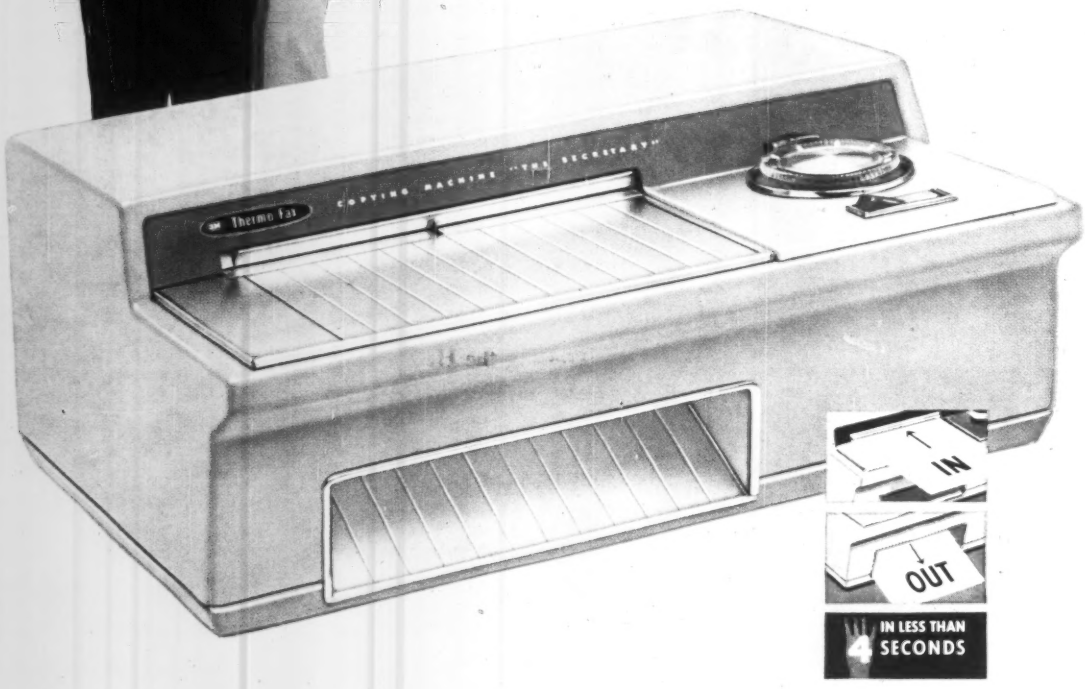

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DUN'S REVIEW and Modern Industry

November 1958

Vol. 72 No. 5

Articles and Features

TOMORROW'S BIG MARKETS

Across America, vast population changes are reshaping our industrial and consumer markets. This two-part feature spotlights the crucial shifts, reports on industry's plans for meeting the marketing challenge of the next decade.

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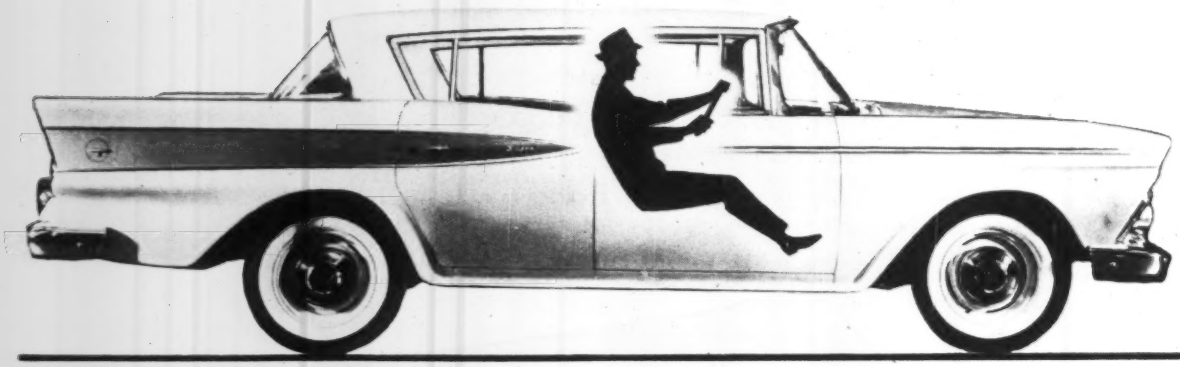

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Editorial

Liberty and Responsibility

LIBERTY IS THE length of the leash from the chosen stake. There can be no freedom without discipline, no independence for the individual without recognition of the rights of others. Freedom is something we earn, cherish, and protect, and it isn't exactly free. Somewhere, someone paid for it in our behalf. Except at some cost in personal effort, we cannot expect to maintain its value and preserve all the benefits that go with it—benefits we sometimes take for granted.

The liberties that are enjoyed in a democratic community represent centuries of striving. Right of assembly, freedom of speech and of the press, the secret ballot, trial by jury, and all the other safeguards inherent in the Bill of Rights are the accumulated efforts of men who fought hard and thought hard in behalf of the individual.

In our day there are, broadly, three approaches to the privilege of citizenship. The first is gratitude for the gift of freedom and all the benefits that the word implies, as well as the acceptance of the responsibility that goes with it. This includes interest in public affairs, independence and intelligence at the ballot box, and personal effort in civic projects.

The second approach is lassitude—the apathy and mental laziness that characterizes a large number of citizens who are loyal and law-abiding but indifferent to civic responsibilities. These people are quick to grumble about situations they make no effort to understand or improve. They are slow to act unless their complacency is upset by some major news item.

The third approach might be described as one of selective indignation. As a group, those who display it are intelligent, assertive, and occasionally selfish. They are well informed on their rights, and they demand a public forum to protest any infringement on the liberties of the individual by any legislative or judicial investigators. They are not to be condemned for their awareness of the dangers of inquisition, but their combative spirit would be better understood if it revealed an equal impulse of affection for the nation that provides opportunities as well as protection.

The courts are rightfully concerned with protecting the individual against any law conceived in the clouded atmosphere of political and ideological passions. In the effort to protect men of good will, we must protect the rights of men of bad will with equal fervor. However, there comes a time when justice must be served. Testing laws, like testing fences, determines their ability to protect, but there is no good reason to let the legal bars down for men of selfish or venal impulses. That applies to all of us, whether public servants, educators, union members, or professional business men.

Citizenship is a contract which includes mutual obligations, and no contract is valid without a candid consideration of duties as well as privileges. There comes a time when we have to stand up and be counted, not only as individuals cherishing our traditions of freedom but as citizens thankful for the blessings we enjoy.

The Editors

Now STATIC POWER Adjustable Speed Packaged Drives

No moving parts...

Cutler-Hammer *ULTRAFLEX® DRIVES* provide outstanding savings in installation—operation—maintenance

No moving parts! Light, compact static power conversion units have replaced the conventional m-g set. Ultraflex Packaged Drives save up to 50% in valuable floor area . . . up to 75% in weight, permitting rapid, low cost installation or rearrangement of production machinery without special handling equipment or floor loading preparations.

No moving parts! Ultraflex Packaged Drives provide a new high standard of operational efficiency and ultra-responsive speed control. Works perfectly without forced ventilation . . . less power wasted as unwanted heat. No power robbing friction or windage losses.

No moving parts! Simple static power conversion units require only a fraction of the time and effort needed to maintain conventional rotating type drives. With Ultraflex, there are no bearings, commutators, or brushes to service. No shafts to align. No couplings to maintain. No inertia loads to balance. No fans or filter to clean or change.

Ultraflex Packaged Drives come complete with operator's station, static power conversion unit, and heavy duty D-c drive motor. Standard Ultraflex Drives provide an 8:1 speed range with wider ranges available upon request. Optional features include dynamic braking, jogging, reversing, tach-generator speed regulation, etc.

Cutler-Hammer also provides a complete engineering service which will custom-design a static powered adjustable speed drive to meet your specific requirements. Get all the facts today, write on your company letterhead for new bulletins EN64-W270 and EN65-W270.
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5	3.89	543	Wall Mounted	215
7½	3.89	550	Wall Mounted	215
10	5.44	647	Wall Mounted	215
15	7.0	983	Wall Mounted	330
20	9.5	1830	Wall Mounted	330
25	9.5	1990	Wall Mounted	330
30	9.5	2120	6.46	625
40	13.8	2350	6.46	625

HP	CONVENTIONAL m-g DRIVES SQ. FT.	CONVENTIONAL m-g DRIVES LBS.	ULTRAFLEX—M SQ. FT.	ULTRAFLEX—M LBS.
5	3.89	543	3.5	660
7½	3.89	550	3.5	870
10	5.44	647	3.5	870
15	7.0	983	3.5	1000
20	9.5	1830	3.5	1000
25	9.5	1990	4.5	1250
30	9.5	2120	4.5	1250
40	13.8	2350	4.5	1250
50	17.8	2980	11.7	2200
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ULTRAFLEX E 1 HP to 40 HP

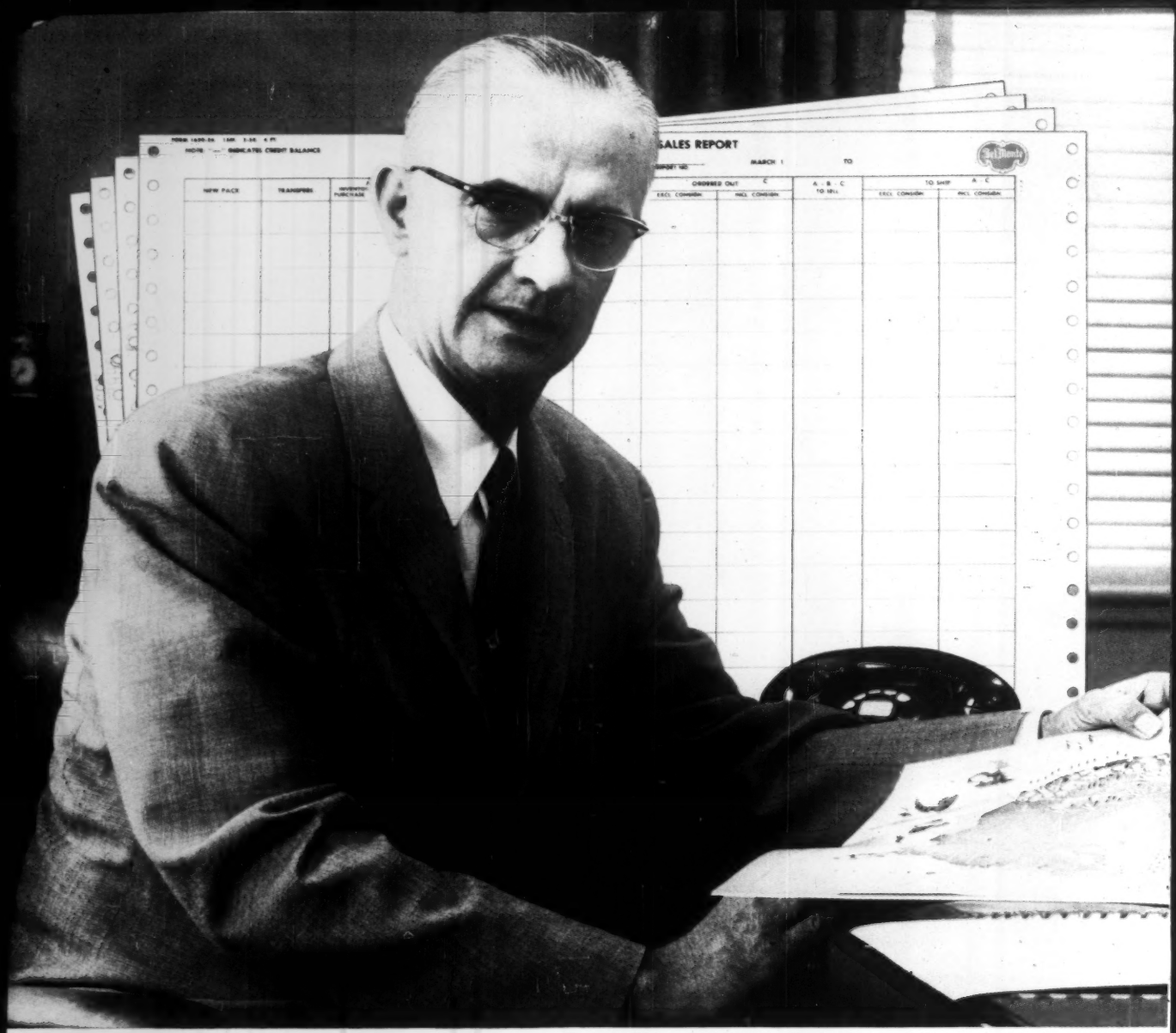
Electronic Type Adjustable Speed Drives

Ultraflex E is the simplest, most flexible, most dependable electronic adjustable speed drive on the market today. Heavy duty power tubes have replaced all "radio type" components assuring maximum efficiency and maintenance-free operation. Standard features of design include a closed loop voltage feed back system for accurate voltage regulation, current limit control, and static rectifier field excitation. Compact design permits wall mounting of the control units up to 25 HP.

ULTRAFLEX M 1 HP to 200 HP

Magnetic Amplifier Type Adjustable Speed Drives

Ultraflex M Packaged Drives set new standards for ultra-efficient, ultra-responsive operation. Fully 15% more efficient than conventional rotating type drives, the static magnetic amplifier power conversion unit avoids all power losses due to friction, windage and the necessity of transferring power across multiple air gaps as in rotating machinery. Standard Ultraflex M drives are equipped with a closed loop voltage feed back system with IR compensation for accurate voltage regulation, current limit control, and static field excitation.



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With thousands of food items in their line, the California Packing Corporation (Del Monte) must have up-to-the-minute sales and inventory facts on each product. A new automated system makes possible complete *weekly* reports based on information from over 240 widespread locations. These are automatically prepared and printed by IBM machines on 4-part Moore continuous forms—Calpak's control in print.

This system offers many benefits. Automatic procedures cut errors to a minimum. Calpak's marketing action is faster, more effective. Market forecasts are more detailed; there is less danger of over or under production during the short packing seasons.

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A COLLEGE EDUCATION
DOES NOT MAKE AN EDUCATED MAN

A message from Mortimer J. Adler, Ph.D.
Director of the Institute for Philosophical Research

"The greatest mistake anyone can make about liberal education is to suppose that it can be acquired, once and for all, in the course of one's youth and by passing through school and college.

"This is what schoolboys do not know and, perhaps, cannot be expected to understand while they are still in school. They can be pardoned the illusion that, as they approach the moment of graduation, they are finishing their education. But no intelligent adult is subject to this illusion for long, once his formal schooling is completed.

"He soon learns how little he knows and knows how much he has to learn. He soon comes to understand that if his education were finished with school, he, too, would be finished, so far as mental growth or maturity of understanding and judgment are concerned.

"With the years he realizes how very slowly any human being grows in wisdom. With this realization he recognizes that the reason why schooling cannot make young people wise is also the reason why it cannot complete their education. The fullness of time is required for both."

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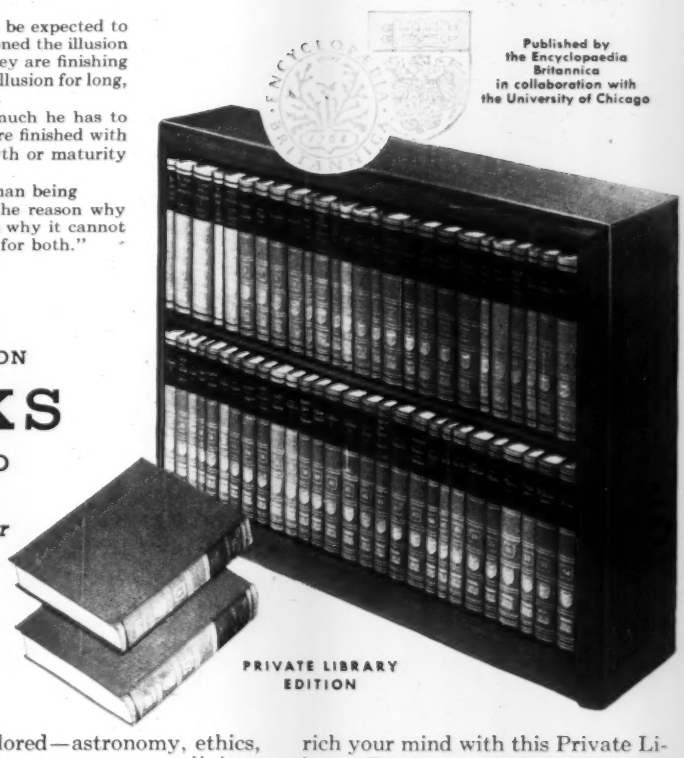

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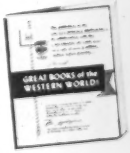

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A new problem facing steel users today

The danger of losing money by relaxing inventory controls

When the slump set in last year, big inventories were one of the toughest problems for most companies.

Now, as the economy swings back, these problems may seem to have disappeared. Actually, the problems of inventory cost and risk are always with us—just as much a threat to profit in good times as in bad.

But with the urgency of strict economies reduced, there is a very real danger that many companies will be caught off guard—a danger that recession-born practices will be abandoned as temporary emergency measures without careful enough analysis of their profit potential.

For example, companies that modified their steel inventory policies to avoid long-term commitments found that many costs were reduced and their needs better served. By taking advantage of the stocks offered by steel-service centers, these companies were able to release working capital for more productive purposes, free valuable storage space, reduce handling costs and lower scrap losses, insurance, taxes, etc.

Proof in dollars and cents

Those who carefully weighed all the advantages found reason for a *permanent* modification of their previous buying practices. They proved to themselves that they could and should rely much more heavily on steel-service centers because it makes sense in dollars and cents.

This conclusion is especially sound when you consider the unusually broad scope of Ryerson stocks and the speed and dependability of Ryerson services. Any kind, shape and size of steel can be shipped to you from Ryerson in a matter of hours. And your steel can be furnished in ready-to-use form, saving time and initial-cutting cost. You gain complete flexibility to meet quick shifts in production schedules. And you have the added assurance of getting steel of uniform, high quality—the unequalled dependability of Ryerson *certified* quality.

Your Ryerson representative is well qualified to review the facts and help you get the maximum value for your steel buying dollars. Ask him to analyze your requirements with you the next time he calls.

What it costs to carry inventory

IRON AGE magazine says: "*A survey of eight plants shows that, for every $100 worth of materials bought, the average yearly inventorying cost is $19.37.*"

Other authorities say the real cost of steel placed in inventory for extended future use may be as high as 40% more than the invoice price.

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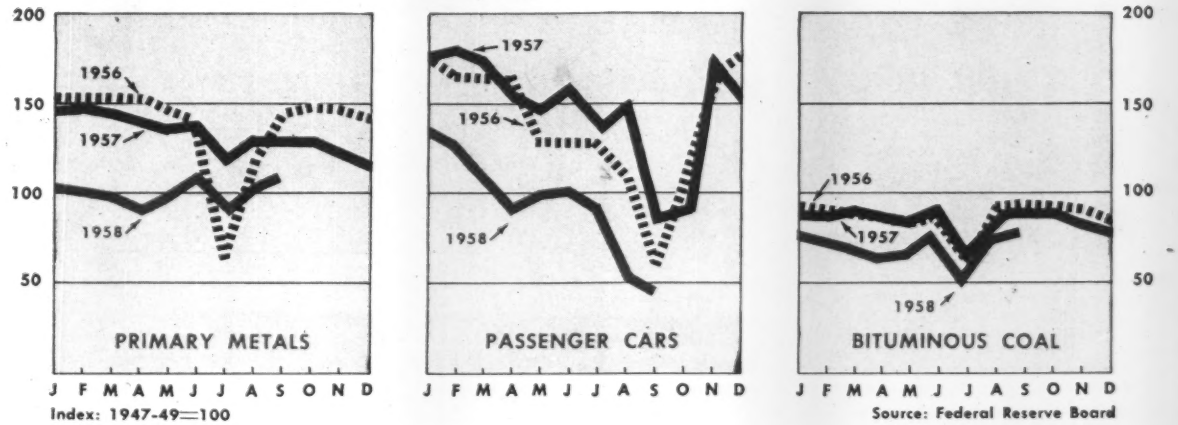
Production in Three Industries . . .



The Economy: Onward and Upward

THE PACE of business recovery has shown no sign of slackening so far in the fourth quarter, and the prospects are bright for the first part of 1959. The rate of increase in over-all business activity will slow down as pre-recession peaks are approached, but the recovery will extend through the first quarter of next year.

The upward movement of the economy will be sustained by increased expenditures by consumers, business, and Federal and local governments. Retail volume will reach record levels this quarter. Despite the usual seasonal post-Christmas decline, sales in the early part of next year will match or slightly exceed year-earlier levels. Of course, the extent of the year-to-year gains will be affected by consumer response to the 1959 automobiles.

Business men will cautiously begin to re-accumulate inventories early in 1959, and outlays for new plants and equipment will begin to edge up. Although the larger-than-expected Government deficit will prompt many economy measures, expenditures by the Federal Government will move up along with those at State and local levels.

To keep up with this increase in consumption, business will boost its physical output. Although the current rise in industrial production will lose some momentum during the latter part of the fourth quarter, it will pick up again in the first three months of next year, to match the pre-recession peaks. The rate of increase in industrial output will outpace that of employment, and unemployment will continue to be substantially greater through the first quarter of next year than it was before the business downturn began. Despite a sustained high rate of unemployment, personal income will remain at record levels.

Record high output

As a result of this increased activity, the total output of goods and services (gross national product) will hit an all-time high in the fourth quarter of this year and move up again in the first and second quarters of 1959.

A good part of the improvement in over-all industrial output will be due to increased production schedules at auto plants. There will be a steady rise in passenger car output for the rest of the year from the twelve-year low of September, when the model changeover process was under way and labor troubles and low sales plagued the industry. Encouraged by the good response to model introductions in early October, industry officials predicted that sales of new passenger cars in the fourth quarter would match those of the last quarter of 1957. Auto output for all of 1959 is expected to reach about 5.5 million units, compared with the 4.6 million estimated for 1958.

In preparation for the rise in output, automobile producers placed more orders for steel, and this trend will continue to rise through November and then level off until after the New Year. More moderate increases in new orders from makers of appliances, farm implements, and freight cars will encourage steel mills to increase output to about 75 per cent of rated capacity by the end of November. The rate will then slip slightly for the rest of the year, under the usual seasonal influence. Steel output will again pick up during the first quarter and gain steadily through the first half. Early industry projections of 1959 steel production range from 20 to 30 per cent higher than this year's expected 85 million tons. This prediction does not take into account any major strike or labor difficulties.

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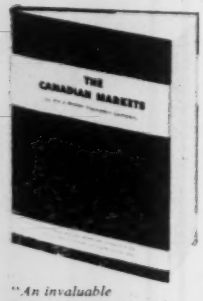

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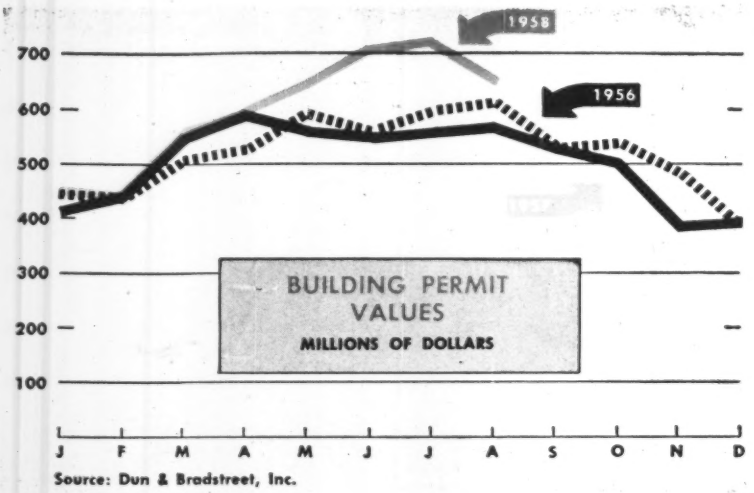


TOTAL DOLLAR VALUE *of building permits for 217 cities has exceeded year-earlier levels each month since November 1957. The all-time high was reached in July of this year.*

record levels in late September. Output will move down a bit in late November, when the rush for materials to package Christmas goods slackens. A high rate of activity in the construction and furniture industries will sustain the year-to-year gains in lumber production that have prevailed since late Summer.

Manufacturers' orders rising

Although a dip in the placement of defense contracts with aircraft companies lowered slightly the level of manufacturers' orders in late Summer, such commitments will begin to edge up later in the fourth quarter. Obviously, the level of manufacturers' orders will be a prime influence in the movement of industrial production. This, along with continued increases in most other manufacturing industries, will result in a gradual rise in new orders well into 1959. Year-earlier levels will be matched some time after the New Year.

Some of the most optimistic business news was found in recent reports on new orders for durable goods. The dollar value at the manufacturing level moved up in early Fall and will continue to do so for the rest of the year. The rate of inventory reduction in this sector will slow up a little more as the sales-stock ratio (amount of goods on hand in relation to current sales) approaches year-earlier levels. This will also be the case at the wholesale and retail levels. Many business men see the gradual resumption of replacement buying as a source of strength in the coming months.

Despite the substantial pickup in industrial output in the past months, the rate of unemployment has remained high. Although the number of jobless fell more than seasonally in early Fall, it remained well above the level prevailing at the start of the recession. It is unlikely that unemployment will recede to this level until some time in the second half of next year.

Although the decline in unemployment will be sluggish, employment, earnings, and personal income will remain high. This will induce consumers to spend more, but lingering memories of the recession will restrain them enough to head off anything like a boom. The current high level of personal savings will hold through the first quarter of 1959.

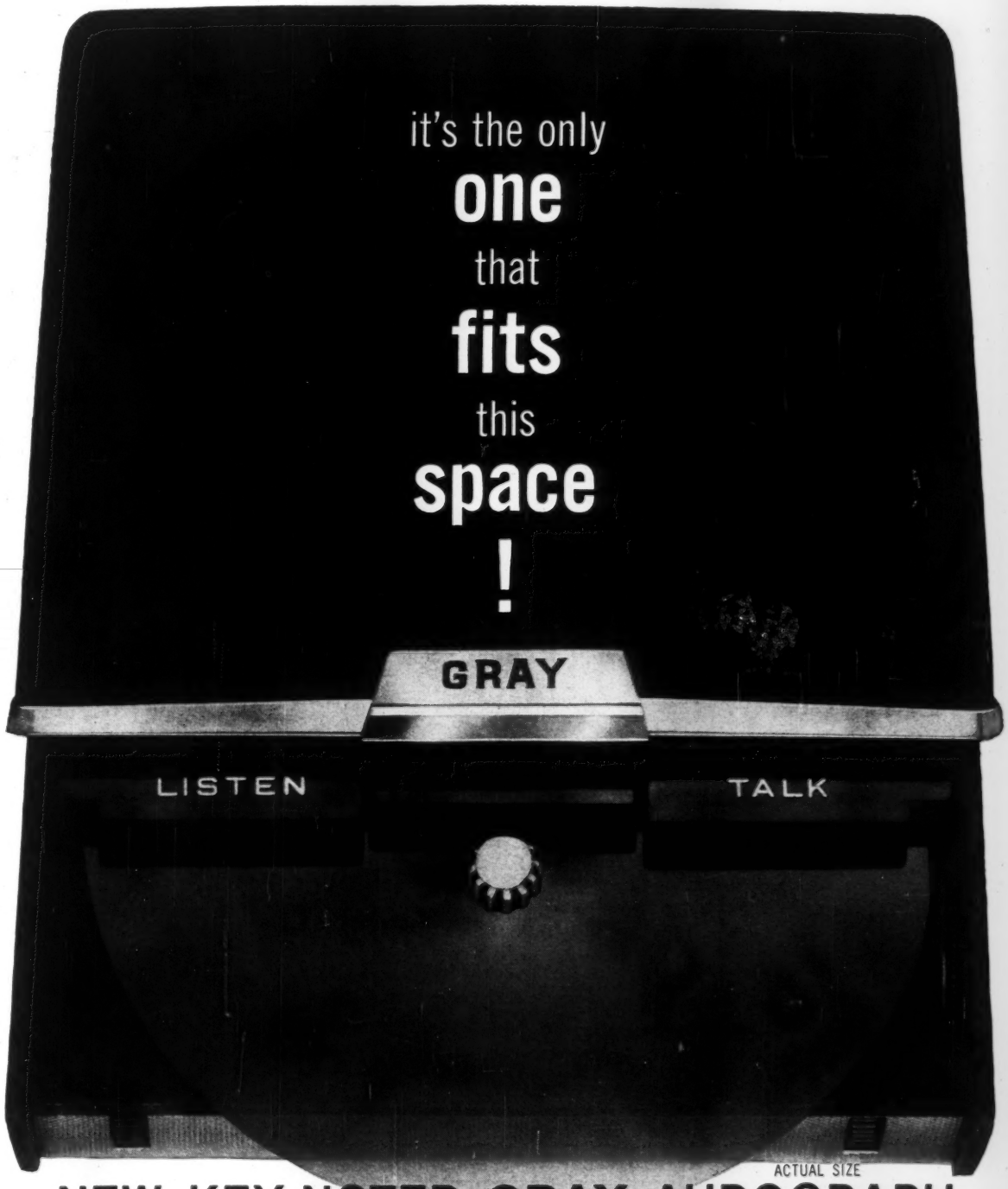
Some of the increase in consumer spending will be reflected in reports on consumer credit. The rise in the extension of installment credit resumed in July will continue well into next year. Much of the gradual rise will be due to increased installment buying of automobiles.

Inflationary trend

Shoppers will also become more price-conscious as the recovery continues and prices start moving up. Higher consumption and a slow but steady rise in wages will result in a renewal of "creeping inflation" before the end of the year. When the rise in consumer prices begins to appear, the Federal Reserve may take further action to tighten credit.

Retailers have been cheered in recent months by the recovery in sales of household goods. The decline of consumer interest in major appliances and other durables was one of the principal causes of the recession.

The buying of appliances moved up noticeably in the past few weeks, and year-to-year declines narrowed. This was especially true in television sets, hi-fi sets, lighting fixtures, and auto-



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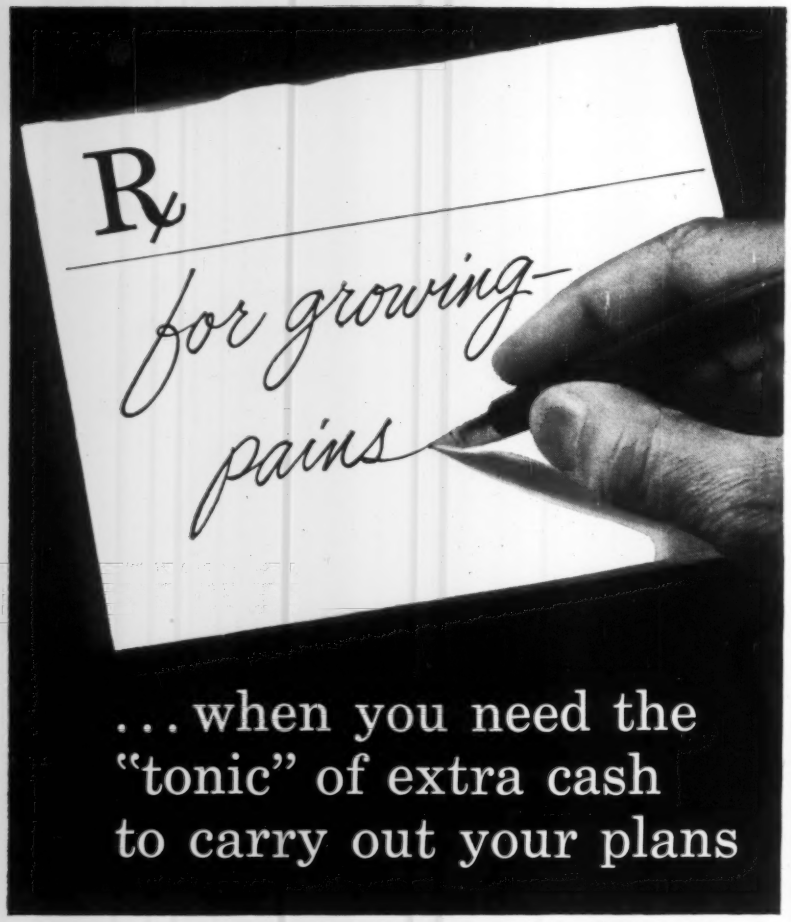

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matic laundry equipment. Observers expect this trend to continue and bring fourth-quarter volume up to levels of the year before. Furniture purchases will keep on climbing, and the dollar sales for the last three months of this year will slightly exceed those of the similar 1957 period.

Year-to-year gains in food purchases were sustained in recent weeks and will persist for the rest of the year.

Biggest Christmas ever?

Consumer purchases of apparel have held up well in early Fall, and interest in men's, women's and children's Fall and Winter merchandise exceeded expectations. This, along with the recent gains in durable goods, has led many retailers to believe that Christmas 1958 will be the best on record, helping over-all volume for the year to match or even slightly exceed 1957.

With the more-than-expected increase in trade, many apparel stores found themselves with limited stocks. This gave a boost to activity at apparel and textile wholesale centers. Late reports show that textile mills stepped up their output of piece goods and cotton gray goods as orders improved. Textile merchants viewed the auto settlements as a good sign that bookings in industrial fabrics would soon rise.

Although the rate of new housing starts will remain at current high levels for the rest of the year, it will ease a bit some time during the first three months of 1959. This will be the result of slightly higher building costs and higher interest rates on mortgages. Following a brief period of greater availability during the Summer, funds for Veterans Administration loans have grown tighter in the last several weeks. Another factor that will discourage some home buying is the late Summer hike in discounts on mortgages insured by the Federal Housing Administration. This will not really be felt, however, until next year. The nation's home build-

Weekly Business Signposts

	Latest week	Previous week	Year ago
Steel ingot production . . . Ten thousand tons (a)	202	200	205
Electric power output . . . Ten million KW hours (b)	121	121	117
Bituminous coal mined . . Hundred thousand tons (c)	85	84	99
Automobile production . . Thousand cars and trucks (d)	59	47	93
Department store sales . . Index 1947–1949=100 (e)	147	145	142
Bank clearings, 26 cities . Hundred million dollars (f)	20.0	21.9	21.8
Business failures . . . . . Number of failures (f)	288	271	258

SOURCES: (a) Amer. Iron & Steel Inst.; (b) Edison Electric Inst.; (c) U.S. Bureau of Mines; (d) *Automotive News*; (e) U.S. Bureau of Labor Statistics; (f) DUN & BRADSTREET, INC. Steel data for the fourth week of October; automobiles for the third week; all others for the second week.

ers will produce 10 per cent more houses in 1958 than they did last year.

The easing of home building will be partly offset by a continued rise in public construction, especially in highway building. Expenditures for military and public residential construction will also increase significantly in the first months of next year.

The dollar value of private construction in the first quarter of 1959 will be affected somewhat by the easing in home building. Although contracts for industrial construction will start to move up, the rise will be very gradual and its effect on the over-all level of private contracts will be small. Outlays for commercial building will remain high.

Farm picture cloudy

Although net farm income for all of 1958 will exceed that of last year by about 20 per cent, the prospects for 1959 are not so bright. Continued high production and climbing farm costs will somewhat lower prices received by farmers.

This slight downturn in farm income will have little effect on farm equipment sales. Officials predict that the level for 1958 will be well ahead of 1957, and further gains will occur next year. It was also estimated that farm land values are now at record levels, and further advances are expected next year, but at a slower pace than during the past twelve months.

Stock prices, perhaps under the influence of sharp advances in recent months, took a dive in mid-October. Some observers thought the uncertainty of the market was only a temporary situation as traders waited for general business activity to move up further and catch up with the market.

Bank profits for the first nine months of this year edged up to a record level, exceeding those of the similar 1957 period by about 5 to 10 per cent. This was due to increased interest earned on securities. Although the tendency in loan volume was downward, income from that source was steady.

Welcome news to business men in recent weeks was the rise in freight carloadings, one of the most sensitive of economic indicators. Although still far below a year ago, carloadings in early October reached the highest levels for 1958. The week-to-week increases were better than expected, although the usual yearly peaks are reached at harvest time. The recent bulge was due also to heavy deliveries of goods in anticipation of Christmas trade.

This report was prepared in the Business Economics Department, DUN & BRADSTREET, INC., by John W. Riday.

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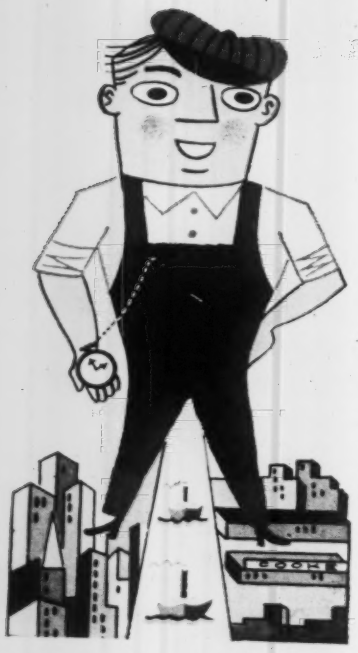

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Failures . . Latest trends in business casualties

Casualty Drop Continues

CONTINUING DOWN for the fifth month, business failures in September fell to 1,039, the smallest total in any month since 1956. The 8 per cent decline from August, considerably sharper than the usual seasonal drop, pushed casualties 3 per cent below their level for September last year. Concerns were failing at an annual rate of 53 per 10,000 listed in the DUN & BRADSTREET *Reference Book*. This rate, the lowest since January, dipped below the 59 per 10,000 in September 1957.

Dollar liabilities, as well as the number of casualties, declined during the month. At $48 million, however, they remained 6 per cent above last year's volume as a result of continuing increases in failures of large size.

Mortality lightened between August and September in all functions except construction where subcontractor failures bolstered the totals. The month-to-month decline in manufacturing centered in the lumber, textiles, and food industries, while the wholesaling downturn occurred in the food trade.

Retail and service casualties fell below their 1957 levels. Considerably fewer apparel and automotive retailers succumbed, outweighing increases in most trades. Wholesaling and construction mortality held about even with last year. Among contractors, a rise in subcontracting casualties balanced the decrease in the general building group. The total number of manufacturers failing edged above a year ago, lifted primarily by more severe tolls in the machinery and metals lines. But the food and lumber industries improved.

Geographically, trends from August were mixed, but six of the nine major regions reported failures down from September last year. Less than half as many businesses succumbed in Oregon, Washington, and Mississippi. In contrast, there was heavier mortality in the Middle Atlantic, West South Central, and Mountain States—particularly in New Jersey, Louisiana, Texas, Montana, and Utah. Large cities had more casualties than last year, whereas non-metropolitan totals diminished by 7 per cent.

FAILURES BY DIVISION OF INDUSTRY

	Cumulative total (January–September)		Liabilities in million $	
	1958	1957	1958	1957
MINING, MANUFACTURING...	2090	1776	195.6	152.2
Mining—coal, oil, misc....	65	46	11.9	7.6
Food and kindred products	154	143	14.5	10.0
Textile products, apparel...	400	364	28.3	22.5
Lumber, lumber products..	397	368	25.2	19.1
Paper, printing, publishing.	138	103	7.1	7.7
Chemicals, allied products.	50	48	2.8	4.4
Leather, leather products..	80	50	11.5	6.1
Stone, clay, glass products.	49	44	9.6	1.9
Iron, steel, products.....	134	80	13.6	24.9
Machinery.....	218	182	21.7	18.3
Transportation equipment.	58	52	14.1	5.9
Miscellaneous.....	347	296	35.3	23.9
WHOLESALE TRADE.....	1081	927	59.1	58.8
Food and farm products...	257	216	16.3	14.0
Apparel.....	51	33	2.5	2.3
Drygoods.....	34	22	1.1	0.8
Lumber, bldg. mats., hdwre.	136	109 R	9.3	6.6 R
Chemicals and drugs.....	36	36 R	0.7	1.3 R
Motor vehicles, equipment.	48	55 R	1.4	2.8 R
Miscellaneous.....	519	456	27.7	31.1
RETAIL TRADE.....	5792	5278	178.2	141.0
Food and liquor.....	850	839	20.1	16.7
General merchandise.....	223	221	8.9	9.1
Apparel and accessories...	907	893	24.5	18.9
Furniture, furnishings....	837	784	35.5	29.5
Lumber, bldg. mats., hdwre.	396	366	12.6	10.7
Automotive group.....	821	643	31.1	15.5
Eating, drinking places....	1084	951	29.3	22.0
Drugstores.....	129	118	3.3	3.0
Miscellaneous.....	545	463	12.9	15.6
CONSTRUCTION.....	1634	1561	88.8	83.2
General bldg. contractors..	654	600	47.2	46.9
Building subcontractors...	890	870	31.3	28.7
Other contractors.....	90	91	10.3	7.6
COMMERCIAL SERVICE.....	893	822	45.5	34.5
TOTAL UNITED STATES.....	11490	10364	567.2	469.6

Liabilities are rounded to the nearest million; they do not necessarily add up to totals.
R Revised

THE FAILURE RECORD

	Sept. 1958	Aug. 1958	Sept. 1957	% Chg. †
DUN'S FAILURE INDEX*				
Unadjusted.....	46.5	48.6	50.5	− 8
Adjusted, seasonally	53.4	54.0	58.7	− 9
NUMBER OF FAILURES.	1039	1127	1071	− 3
NUMBER BY SIZE OF DEBT				
Under $5,000.....	143	150	159	−10
$5,000–$25,000....	447	531	529	−16
$25,000–$100,000..	342	337	296	+16
Over $100,000.....	107	109	87	+23
NUMBER BY INDUSTRY GROUPS				
Manufacturing....	187	206	182	+ 3
Wholesale trade...	96	108	96	0
Retail trade.....	506	549	535	− 5
Construction.....	163	158	164	− 1
Commercial service	87	106	94	− 7
LIABILITIES (*in thousands*)				
CURRENT.....	$48,103	$50,765	$45,420	+ 6
TOTAL.....	49,565	53,521	45,463	+ 9

*Apparent annual failures per 10,000 enterprises listed in the DUN & BRADSTREET *Reference Book*.
†Percentage change, September 1958 from September 1957.

In this record, a "failure" occurs when a concern is involved in a court proceeding or in a voluntary action likely to end in a loss to creditors. "Current liabilities" here include obligations held by banks, officers, affiliated and supply companies, or the governments; they do not include long-term publicly held obligations.

This report was prepared in the Business Economics Department, by Rowena Wyant.

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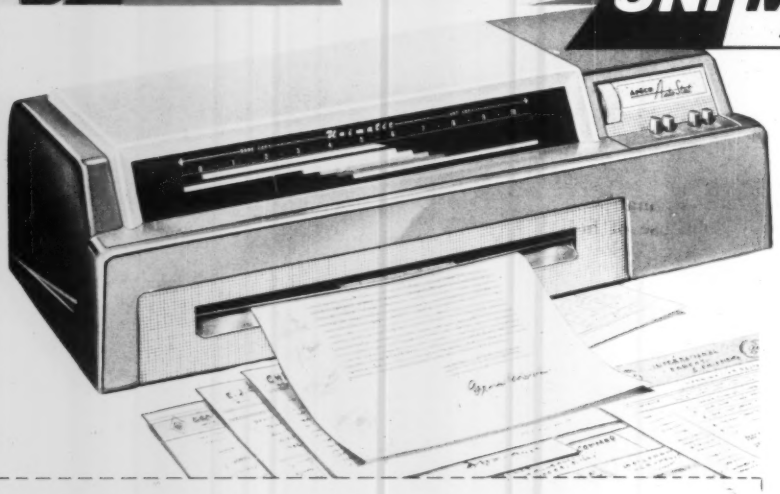

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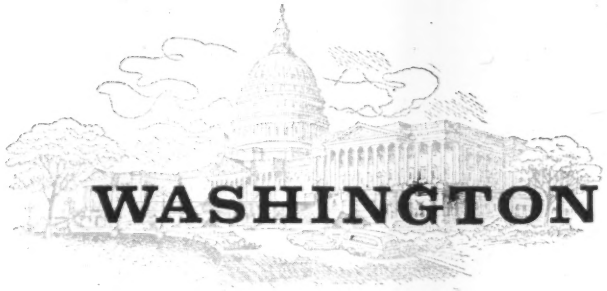


WASHINGTON Business Front

JOSEPH R. SLEVIN

WASHINGTON, D.C.—American investors may get a chance to buy some novel United States Government securities before much more time has passed. Secretary of the Treasury Robert B. Anderson has a back-breaking financing job on his hands, and he is looking for fresh ways to raise the money he must have.

Mr. Anderson isn't likely to come up with any dramatically new borrowing ideas, but there will be some fresh wrinkles. He has appealed to individual experts for help and has asked for recommendations from the Treasury's regular advisory committees of investment bankers, commercial bankers, savings bankers, and insurance company executives. No deadline has been fixed, but Mr. Anderson would welcome a workable suggestion or two before the Treasury sets about the task of borrowing some $3 billion of new cash and refunding $12.2 billion of maturing securities later this month.

Work to do

It's hard to take in the full dimensions of Mr. Anderson's problem. People are impressed when a corporation borrows $100 million in a public offering—but look at what Mr. Anderson must do during the twelve months ending June 30:

- He must refund almost $2 billion of three-month bills each week;
- He must refinance more than $49 billion of other maturing securities;
- He must borrow better than $8 billion of new cash to meet the Government's deficit financing requirements.

It's a particularly thorny task this year, for the Administration is faced with a $12.2 billion budget deficit at a time when business activity is rising and the trend in Federal Reserve System credit policy is toward tighter money. This means that Mr. Anderson prefers to obtain the needed cash in a noninflationary fashion—which is another way of saying that he wants to raise as much of it as possible from savings rather than from the banking system.

Perhaps the Treasury Secretary's greatest difficulty stems from the reluctance of people to buy fixed interest obligations, such as Treasury notes and bonds, because they fear that inflation will cut the value of the dollar and thus erode their investments. It's generally agreed that Mr. Anderson's best hope of quieting the fears of investors is to convince the country that a continuing, sharp inflation is not in the cards. There are no magic solutions, however. About the only way to convince people that prices will be stable is to achieve price stability for a period of some months. There is nothing so unanswerable as an accomplished fact.

Sidestepping inflation

Some people would have the Administration accept the inevitability of creeping inflation and issue purchasing-power bonds. Specific plans differ, but all these schemes have the single objective of assuring the bond buyer that he will recover his original investment, plus interest for the use of his money, plus additional compensation to reimburse him for any loss in the buying power of his money while it was on loan to the Government.

The Administration is not prepared to acknowledge that it can't halt inflation, and it is unwilling to issue securities that would suggest that it believes that the buying power of the dollar is going to continue to decline.

Lottery bonds are another razzle-dazzle device that are doomed to get the cold shoulder from the Administration. A number of foreign countries use lottery bonds, but the Administration considers them a morally and politically unacceptable gambling device. Furthermore, they attract savings from the lower income groups, who can least afford to buy lottery securities.

Other proposals

A large number of other and more conventional proposals are being urged upon Mr. Anderson. These include advance refunding of a substantial block of the securities that are scheduled to come due in the years immediately ahead, adding a four-month or a six-month bill cycle to the present offering of three-month bills, enlarging the size of the weekly three-month bill offerings, and issuing intermediate and long-term bonds at regular intervals (such as every six months), with an assortment of maturity dates being made available to investors each time.

The delicate question of taxes

Mr. Anderson means business when he talks sternly of the need to prevent inflation. When he told the Senate Finance Committee last August that the Administration would consider boosting taxes if that became necessary to halt inflation, he wasn't just putting forward an academic possibility. He had figured in advance that the question would be asked, and he had his answer ready.

It isn't that the one-time Texas Democrat would propose a tax increase lightly. Far from it. He considers the present levies too steep and thinks they should be reduced. But he won't shrink from urging the President to support a tax boost if he becomes convinced that higher rates are needed to balance the budget and halt inflation.

Tougher sledding for labor

The short but sharp 1958 recession has weakened the big industrial unions and has markedly reduced the size of the concessions that they can win from management in collective bargaining negotiations. This is the conclusion of Government economists who have been keeping close tabs on contract settlements and job trends in the mass production industries.

Rightly or wrongly, the Administration is convinced that wage pressures are the chief threat to cost and price stability. It won't promise a halt to inflation if the wage line can be held, but it is sure another round of inflation lies ahead if wage-cost pressures aren't checked. *continued on page 22*

paid reply card.

Don't let 10-minute walks by modern copying

PUT VERIFAX COPIERS WITHIN REACH OF EVERYONE!

No doubt you now have one or more office copiers in your company . . . are using them to speed communications and save hours of dictation and typing.

But how conveniently are they located? How far must your secretary travel—and how long must you wait—every time copies are needed?

Putting a $99.50 Verifax Bantam Copier in every department ends those ten-minute—or longer—walks to a distant copier. As systems men see it, this saves 24¢ or more *every time copies are made.* The savings on secretarial travel time alone quickly pay for each department's Bantam Copier.

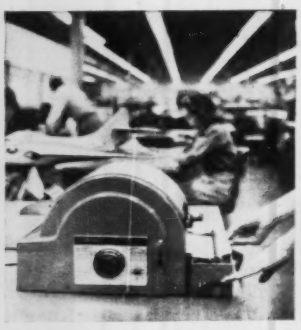
And think of the convenience! No one need take more than a few steps to get clean, easy-to-read copies of letters, reports, orders—what have you. You'll speed up communications inside your company and out . . . take advantage of timesaving Verifax short cuts as never before.

Despite its low $99.50 price, the Bantam is a true Verifax Copier in every sense. A snap for anyone in the office to operate. And so trim and compact you'll find room for it anywhere.

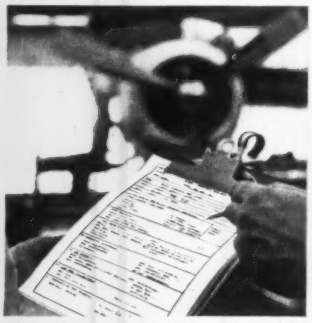
Call in your local Verifax Dealer for a demonstration of the Verifax Bantam Copier, and an estimate of the savings possible in your organization with decentralized Verifax copying. (Check "Yellow Pages" under duplicating or photocopying machines.)

Price shown is manufacturer's suggested price and is subject to change without notice.

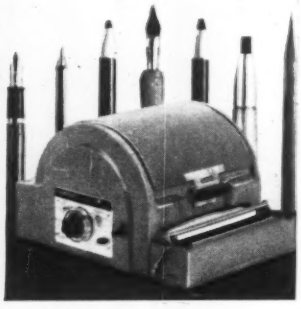
Kodak Verifax Bantam Copier outperforms copiers costing up to 4 times as much!



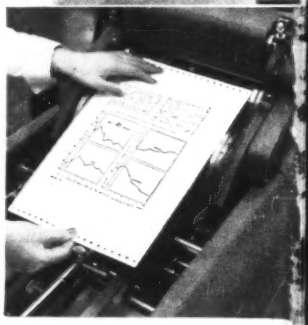
Makes 5 dry, easy-to-read copies in 1 minute for 2½¢ each. Verifax copies can be made on one or both sides of bond-type paper, card stock, printed office forms.



Verifax copies are always accurate and complete—have look and feel of a good letterhead. And they'll last as long as any typed record, won't darken or deteriorate.



Write with anything—you can copy ball-point, crayon—what have you—as easily as typed data. Even those purplish duplicator copies and rubber stamps are a snap!



Even makes an offset master in 1 minute for less than 20¢, with low-cost adapter. A translucent master for whiteprint machines can also be made in 1 minute.

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At Grumman Aircraft Engineering Corp., Bethpage, N. Y.
50 Verifax Copiers speed communications inside company and out

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DOES MORE . . . COSTS LESS . . .
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EASTMAN KODAK COMPANY 4-11
Business Photo Methods Division, 343 State St., Rochester 4, N. Y.

Gentlemen: Send booklet describing Verifax Copiers and short cuts for boss and secretary with Verifax copying. Also names of nearby dealers.

Name_____
Position_____
Company_____
Street_____
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Kodak
TRADEMARK

PB scales help you offset higher postal rates!

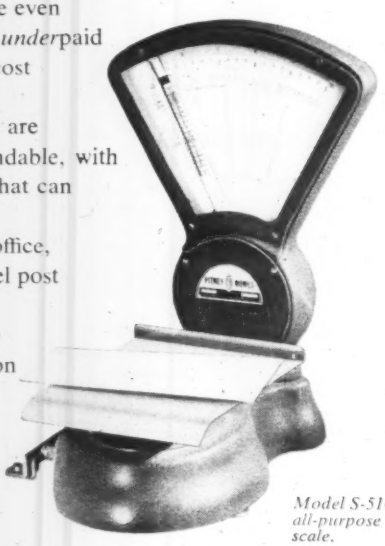
Your postage costs have gone up from 3¢ to 4¢ an ounce for first class letter mail, from 6¢ to 7¢ for airmail. (That makes it 64¢ a pound for regular letters, $1.12 for airmail!)

Since August 1st, when the new rates took effect, a *precision* mailing scale has been more of a must in your office than ever! *Over*paid letters will cause even heavier hidden postage losses; *under*paid letters cause "Postage Dues," cost you good will!

Pitney-Bowes' mailing scales are fast-acting, accurate and dependable, with widely spaced chart markings that can be read *correctly* at a glance.

There are models for every office, large or small, including a parcel post scale of 70 lb. capacity.

Ask the nearest PB office to demonstrate, or send the coupon for a free illustrated booklet.

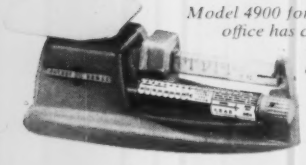


Model S-510, all-purpose scale.

FREE: *Handy desk or wall chart of latest Postal Rates, with parcel post map and zone finder.*

PB PITNEY-BOWES **Mailing Scales**

PITNEY-BOWES, INC., 1598 Walnut St., Stamford, Conn.
Originator of the postage meter . . . offices in 107 cities in U. S. and Canada



Model 4900 for the small office has convenient postage computer.

PITNEY-BOWES, INC.
1598 Walnut St., Stamford, Conn.
Send free booklet ☐ *rate chart* ☐
Name _____
Address _____

While Administration advisers are happy that the wage pressures in the automobile industry are not to be aggravated, they are even more pleased that the moderate automobile package is the pattern likely to be followed in a substantial number of other industries during the months ahead. They aren't worried about the wage-cost pressures in just one industry or group of industries. Climbing wages have a ripple effect, and the more they rise in one manufacturing industry, the more they will rise in others—and eventually, the more they will rise throughout the country in government jobs, in retail shops, and finally, in the perennially lagging service trades.

Two forces have helped to undercut labor's bargaining power. One—the direct impact of the recession—is obvious. The other, less obvious but far more significant for the long pull, is the fact that the 1957–58 recession appears to have continued an erosion of the strength of the mass production unions that first became evident in the 1953–54 downturn.

There were fewer jobs for factory production workers after the last recession than there had been before it got under way. The betting among the Government experts is that the same trend will hold true this time.

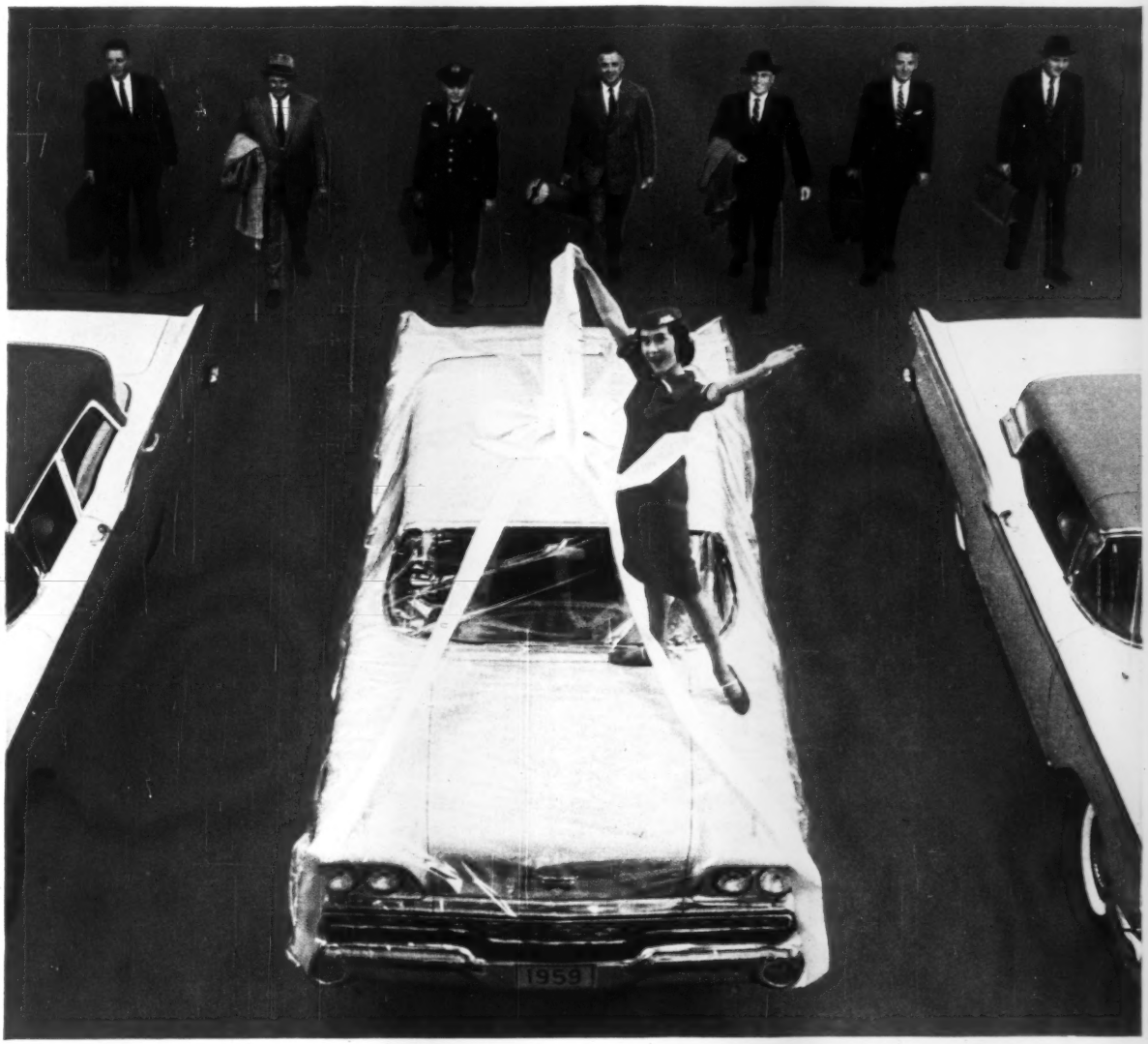
A look at the figures

The statistics are striking. Factory production worker employment hit a peak of about 14 million in the late Spring and early Summer of 1953, then fell to a low of about 12.3 million in the Summer of 1954. The total loss amounted to 1.7 million jobs.

The employment of production workers climbed back to about 13.4 million at the end of 1955 and held in that range throughout 1956. The gain amounted to 1.1 million jobs. But there were 600,000 fewer jobs at the end of the recession-recovery cycle than there had been at the beginning.

Factory employment has dropped even more drastically in this recession than it did during the last downturn. The number of production jobs tumbled from the boomtime high of 13.4 million to a low of 11.4 million in May. The loss amounted to 2 million jobs, and only time will tell how many of the lost positions will have been restored when the peak of the next boom is reached.

The shrinkage in factory workforces is a direct consequence of the heavy investment that industry has been making in new plant and equipment and of the rapid development of automation. The impact of technological change shows up during a recession, for that is when a combination of declining demand and rising unemployment allows



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It's a rare drug, cosmetic, grocery or variety counter you shop today without coming face to face with famous Wildroot Cream Oil packages. And its very success has confronted The Wildroot Company with outsize accounting problems—which the firm now takes in stride with Burroughs Typing Sensimatic Accounting Machines.

Wildroot recently installed three of these machines, which now make short work of accounts receivable, posting to the ledger and cycle-billing of delinquent accounts.

"Our Burroughs Typing Sensimatic Accounting Machines process 50% more volume with a corresponding 50% decrease in costs," declares E. J. Pempsell, Wildroot comptroller. "With their built-in speed, flexibility and accuracy, even our biggest peak loads of accounting are swiftly, surely cut down to size. Our operators are most enthusiastic about the equipment."

From accounting machines to the most advanced of electronic computers, Burroughs has the fullest range of data processing equipment and systems for every need of management in whatever size or type of business. Machines that faithfully deliver up-to-the-instant figure-facts about every phase of your business at all times.

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management to initiate changes it cannot make during a boom. In some instances, a department or a section may be closed down, never to reopen. In others, heavily staffed, obsolescent plants have been abandoned in favor of smaller, automated facilities in less industrialized parts of the country.

Hindsight still wins

Economists are becoming more skillful at practicing their profession all the time, but economics still is more of an art than a science. Consider how badly the Administration misjudged the timing and strength of the business upturn. The recession hit bottom in April, and economic activity began to improve in May. But the Administration didn't decide against an anti-recession tax cut until late May—after much soul-searching—and in early June some of the President's advisers thought the upturn still was far enough in the future to make a further interest rate reduction desirable. The best advice available to the White House was that a slow upturn would begin some time in the fourth quarter.

Actually, a sharp rise was under way even then. National output now is pushing toward a record high in this quarter—the final quarter that was to have seen only the tentative beginnings of an upturn.

FRB: Boy on the burning deck

The Federal Reserve System is in the uncomfortable position of having become the Government's economic action agency. When business activity changes course, the first official notice of the shift comes from the central bank, for it tries to make credit policy move in phase with economic conditions. It acts long before the Administration has to take a public stand. One result has been that the Federal Reserve has come increasingly under attack from Democratic critics of tight money.

The sharp rise in borrowing costs that began last June has added fuel to the flames, and the Federal Reserve now is bracing itself to weather a heavy barrage of denunciations when Congress returns in January. END

COMING NEXT MONTH

"Management's Job in 1959"

This multi-part special feature will include a special survey of DR&MI's Presidents' Panel on the top challenges to management in the coming year—plus photo interviews with other important business leaders and expert analyses of prospects and problems in key management areas.

BETTER MANAGEMENT TOOLS FOR PROGRESSIVE INDUSTRY

If you have ever desired

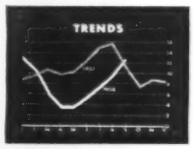
A Wall Chart You Can Change at Will

HERE IT IS. Handsome walnut panel set off against a black lacquer base. EXECU-*flex*, the aristocrat of charts will enhance the most luxurious board room or executive office. As permanent and durable as your office furniture, yet changes and updating can be done in minutes by your secretary with the kit and instructions supplied.

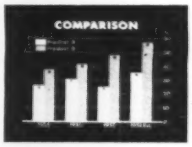
Our 30 years of experience working with management to help clarify problems and their solutions, visually interpreting facts and figures, corporate structure and statistics is the background for EXECU-*flex*. This new Management Tool measures 28" x 40" overall. Our chart experts can set up the basic chart from your figures for a reasonable charge, or anyone in your office can accomplish this by following the instruction sheet.

Special sizes and finishes on order.

EXECU-*flex* CHART



A Sales or Business Trends



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How to get New Freedom to Work

This Clutter-Proof Desk cures bad working habits and cuts costs

It's remarkable how a clear desk top and orderly desk drawer interiors can give office people a fresh, new outlook on work. That's exactly what a Shaw-Walker "Clutter-Proof" Desk does.

The rewards are great—better work, faster, easier. And *working space on the desk top is nearly doubled.*

How's it done? Fully 75% of the things that drift around on the tops of other desks have a specific place *inside* this "*Clutter-Proof*" desk.

There are off-the-desk trays for incoming, outgoing and pending letters. Off-the-desk space for work-organizers, work-separators, deferred projects, tickler, binders, books, pads, forms, card lists. And—imagine this—there's even an in-drawer wastebasket and provision for an in-drawer telephone.

This Shaw-Walker "Clutter-Proof" Desk has an unparalleled record for work efficiency and space economy in offices of every size.

See "clutter-proof" desks at one of our 17 branches or 470 dealers or write for Shaw-Walker Office Guide which pictures, describes and prices 114 desks and 5000 other items.

"Now I can junk all those time- and space-wasters"

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Largest Exclusive Makers of Office Equipment
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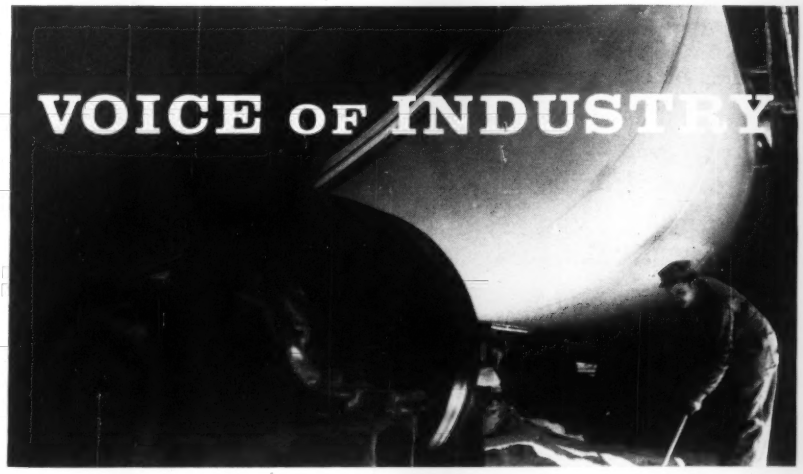


Cracking the Invisible Sales Barriers

ALSO: *The Challenge to Technology; Innovate or Stagnate; Marketing Executives in Name Only*

Needed: A Breakthrough in American Selling

PAUL B. WISHART, *president, Minneapolis-Honeywell Regulator Company, before the National Industrial Conference Board.*

By the excellence of our production and sales techniques, we have now pushed ourselves to a new requirement for salesmanship. Our shortcomings today cannot be corrected by returning to older methods. We need a new level of performance to meet our new level of problems.

There are five basic problems that comprise the "invisible sound barriers" in American selling.

First, there is the public attitude toward profits. I believe that too many business men have allowed themselves to be pushed by a particularly articulate segment of public opinion into a defensive attitude toward the earning of profits. And, of course, whenever a shadow of doubt begins to cross an executive's mind as to the social—or, shall we say, public relations—desirability of pushing his profits as high as he possibly can, the sales department is one of the first to sense the existence of this wavering attitude.

The second invisible barrier has been the growing resistance of the public to being pressured from above. That is, the public has been asserting its individuality in many ways, the most important of which from the salesman's point of view has been its growing resistance to what might be called the flock-of-sheep reaction of former days. Added to this is the truly remarkable technological sophistication that buyers are showing.

To me the real salesman is the man to whom it is a challenge, not a defeat, when the customer starts out wanting something else. This kind of challenge can still be met. And it seems to me that the only way to be sure it is met is for management to be less understanding of the salesman's "problems." If he can't meet this challenge, he must be in the wrong line of work.

But this brings us to the fourth barrier to selling in today's economy—the emphasis on social and economic security. This involves the problem of what to do with the people in your organization who are obviously in the wrong line of work. It may mean some pretty hard-headed and unsentimental remaking of certain personnel practices. But there is, after all, such a thing as too much security.

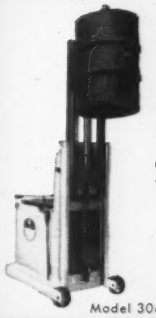
The fifth barrier is the diffusion of the salesman's responsibility. The grow-

the Right Combination...

QUALITY

"the CHALLENGER"
$397.50 complete
1500 lb. capacity
Model 1056

PRICE



"the DRUM HANDLER"
$890.00 complete
1000 lb. capacity
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$699.00 complete
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MORE THAN 80 BIG JOE MODELS

Hydraulic Handling for EVERY Department

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Manufacturing Company
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REMOTE REPLY You can answer intercom calls from across the room—without touching a button!

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SAVE TIME—get more work done!

Thanks to Executone's "Remote Reply," employees can now answer calls without interrupting their work. You get *instant* response without loss of working time. You eliminate waiting and costly "call backs" when phones are busy. Roving employees are located quicker. You give instructions, get information without delay, yet you have "privacy protection" at all times. Work flows smoothly. Every hour becomes more productive! Executone soon pays for itself in many ways. Ask for full details. No obligation.

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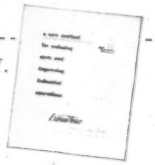


In Canada—331 Bartlett Ave., Toronto

ing complexity of our products and selling techniques has created confusion within our ranks. The responsibility to sell the product rests solely on the shoulders of one man. Therein lies both the salesman's challenge and his opportunity—and the sole criterion by which he should be judged.

Instrumentation for the Better Life

HENRY B. DU PONT, *vice president and director, E. I. du Pont de Nemours & Company, before the Instrument Society of America.*

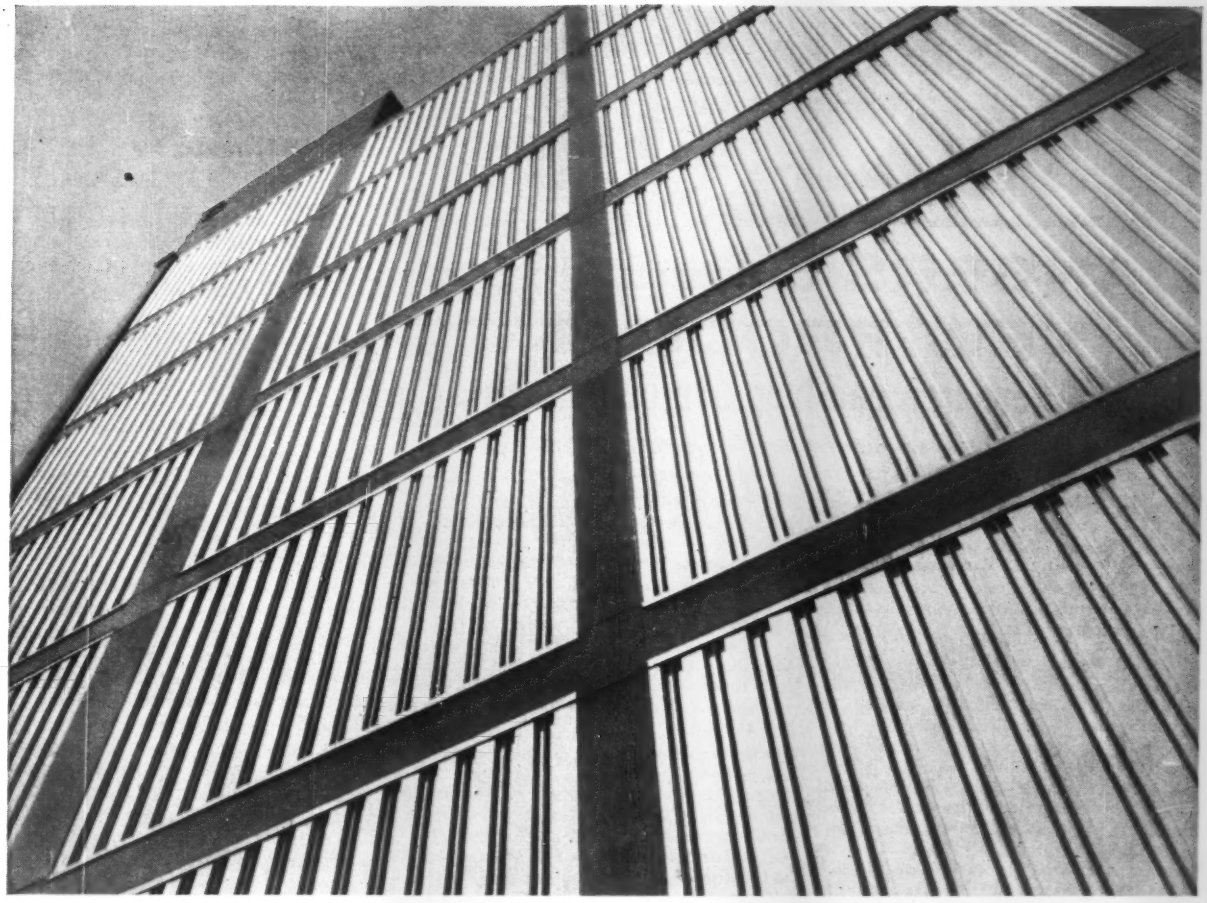
If our standard of living continues its present rate of increase, each of us 20 years hence will require of the economy the equivalent in goods and services double that which we use today. If we are to reach such a goal, productivity must increase to a similar extent. Since every employed worker today supports himself and two others, this would mean that in 1978 he would have to produce at current levels twice that amount—or enough to support, in addition to his own doubled consumption, the equivalent of four other persons.

How can the necessary increase be achieved? Certainly not through more human labor. In the next 20 years, the total population is expected to increase by perhaps 40 per cent. The population of working age, however, will increase by less than a third; these are people already born, and therefore subject to count. The labor force in manufacture and agriculture, with more people going to college than ever and more going into service work, is expected to increase less than 20 per cent.

Longer hours could conceivably supply additional output, but we relinquish our gains in leisure time very reluctantly. It is inconceivable that the trends toward shorter hours, longer vacations, and early retirement will be reversed or that the tendency toward longer education will be any the less.

If technology does not keep advancing, then we will have to sacrifice somewhere. We will have to make sacrifices either in leisure time, in the number of persons available for services, or in our living standards. We cannot make headway by short-changing one side of our economy at the expense of the other.

You may quarrel as you wish with the figures, and some are admittedly speculative. It is perfectly obvious, however, that the only possible means to-



Stainless Steel wall allows three extra floors

Building Owner: E. J. Brach & Sons, Chicago, Illinois
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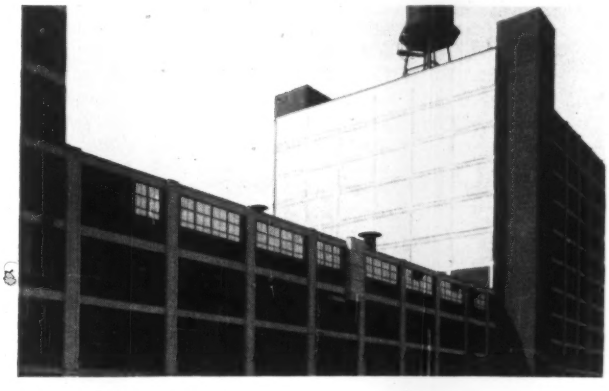
Stainless Steel Fire Wall Fabricator: The R. C. Mahon Company



Originally, this building had five floors. When the owner planned to add more floors, it was determined that if they continued upward with the original wall materials, the building's exterior columns and footings on one elevation could only support three more floors. *Six* more floors were needed, so a Stainless Steel curtain wall with a two-hour Underwriters' rating was erected and *six* floors were added. This was possible because Stainless Steel curtain walls are so much lighter—only 17 lbs. per square foot instead of 85 as in the original structure.

In a new building, the lighter weight of steel curtain walls reduces the cost of foundations, structural steel and labor. And the building can be occupied sooner because curtain wall construction is a fast way to build.

If you plan to expand your present building, or erect a new one, be sure to discuss steel curtain walls with your architects and engineers. For more information, write to United States Steel, 525 William Penn Place, Pittsburgh 30, Pennsylvania.

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DANGERS of launching a NEW PRODUCT

Snell Research can help overcome them

Here's how, in some typical case histories of Snell clients:

Product Research and Development—A few years ago Snell was retained to develop new products, applications, and markets for sugar. Extensive research and development work by Snell resulted in the creation of a new synthetic detergent—based on *sugar!*

Product Application—A Snell client in the paper industry, for whom we had developed a fine additive, wanted to explore uses in other fields. Unfortunately, their highly qualified staff's experience was limited to the one field. Snell, with experts in practically every product field, found the new product has potentialities as both a good emulsifier and a paint plasticizer. Only the very largest manufacturing companies can duplicate the breadth of experience and background the Snell "brain-trust" of technical experts can offer you!

Product Improvement—One Snell client found their product, an adhesive bandage, slipping in quality. Tape was going gooey in storage on druggists' shelves. Snell research helped this client bring his product quality up to equal the best on the market, and retain his share of sales.

Product Evaluation—A Snell brewery client wanted to expand production and take advantage of a more efficient production technique but feared the taste of the beer might suffer. Snell food technologists, taste panels, and engineers checked the new process and hundreds of samples of beer made under new and old systems, recommended the switch to the more profitable modern process. The change went unnoticed by the customers, and sales continued to climb.

Market Research—A Snell client with a waste product had briefly considered building a plant to use it to manufacture another product; but had given up after their own brief survey showed the new product to be already overproduced. When they consulted Snell for checking, however, Snell predicted there would be a shortage within three years. The client waited two years, built the plant—and now has a profitable new product instead of a waste!

Toxicology—One of the largest frozen food companies began getting complaints on the flavor of one of their green vegetables. Since hundreds of thousands of dollars were at stake, they consulted Snell to find out what was wrong. Snell by analyzing tests, and checking on the farm, was able to prove that the taste—actually toxic—was due to a new type of insecticide sprayed on the fields hundreds of yards away on a windy day long before the harvest!

Engineering—A large midwestern firm desired to produce its own brand of instant coffee, to possess outstanding flavor, body, and bouquet. They engaged Snell to handle all details, from design to engineering, to supervision of actual process startup. The fine qualities "built into" this resultant product made it such a success that Snell was commissioned to enlarge the plant, which has recently gone into production.

What's Your Product Problem?—Whatever it is, and whatever your product field—chemicals, chemical specialties, personal products, pulp and paper, protective coatings, plastics, textiles, foods, petroleum, rubber—Snell has men who "know the score" in that field, and who can work with you creatively and profitably in developing, producing, protecting, and marketing new ideas. This broad experience can be decisive in protecting not only your ideas, but also the thousands of dollars you spend developing them. And the cost of Snell service is less than you might imagine! Half the jobs we do cost less than $1000!

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Our brochure, "How to Develop Successful New Products," tells the whole Snell story. Why not send for it today? No obligation, of course. Foster D. Snell, Inc., Dept. D-11, 29 West 15th Street, N.Y. 11, N. Y.

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ward achieving production objectives in line with our national aspirations lies in our technological development.

Is It Different? Is It Better?

CHARLES H. BROWER, *president, Batten, Barton, Durstine & Osborn, Inc., at the American Management Association, Inc., Marketing Division Conference.*

The marketing and selling of goods is a most baffling business today. Markets are shifting so fast. People are moving—from urbia to suburbia, from suburbia to exurbia, from Herald Square to the Cross County Shopping Center.

All around us we see change, which makes us sure that *we* will have to keep changing, that our products and packages and plans and promotions will have to keep changing. It makes us sure that if we don't stay on our toes, we will land on our backs!

Our competitors are changing; they are growing smarter every day. And our customers are changing. They're growing smarter every day, too. And richer, and better educated, and more sophisticated. Everywhere you look are opportunities for innovation, new ways of doing things.

For many companies (mine included), new product developments are the basis for profitable growth. Some companies cannot survive without them.

The alternative to innovation in your business and mine, unfortunately, is something called economic boredom. Which means that there isn't any alternative. You cannot become a leader in your field—you cannot maintain leadership in today's economy unless you have an open mind and an aggressive policy about innovations.

Today's customer, male or female, is a surprisingly savvy citizen. Surprisingly sophisticated, harder to sell than you think—and much, much harder to *keep* sold. Brand loyalty? Don't count on it. Because, at best, it is only a rough measure of a customer's willingness to come back for more—provided no other manufacturer has come along in the meantime with something better. There is no such thing today as a satisfied customer. There are only dissatisfied customers. The fact that they are buying your product this week doesn't mean they'll still be buying it next week. It means that *as of this week* they haven't found anything they like better. But they're looking.

Exciting years are facing us—those

ARE YOU GETTING SHORT CHANGED ON YOUR SHIPPING DOLLAR?

Some airfreight and truck carriers today advertise so-called "bargain" rates which actually impose *higher* minimum weight charges and mean *less* service. Be sure you compare Railway Express rates *and service* before you ship with any other carrier.

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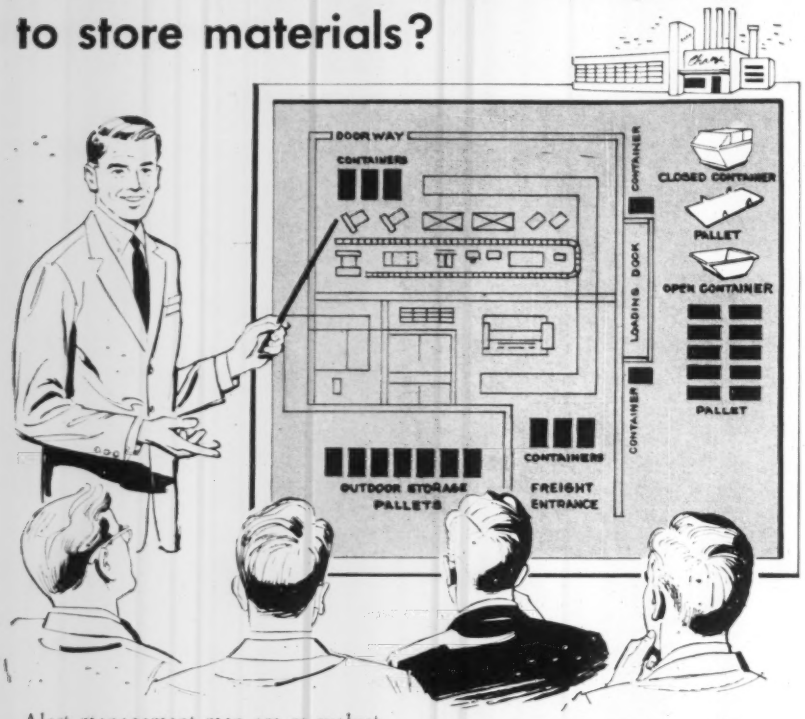
WIDEST COVERAGE—Railway Express serves some 23,000 communities to give you mass distribution—with *one company responsibility*. You reach *every* major market in the U.S., and with Railway Express International Service, most every major market abroad. No more worries about delays and divided responsibility in transfers between two or more carriers.

SPECIAL LOW RATES—You get door-to-door delivery, at no additional cost within REA vehicle limits in U. S. A. And Railway Express offers special low commodity rates on ready-to-wear merchandise, graphic arts materials, hosiery, shoes, drugs, import-export traffic and many other categories. Call your nearest Railway Express Agent.

RAILWAY EXPRESS AGENCY

What does it cost your company to store materials?



Alert management men are re-evaluating their storage methods and equipment. They are finding that traditional storage procedures are very often a drag on efforts to hold down production costs and improve profit margins.

The Load Lugger System of detachable container bodies handled by one Load Lugger truck provides the advantages of low unit cost mass handling and storage. It is readily adaptable to your plant's day-to-day — even hour-to-hour — needs. Load Lugger containers* protect materials from contamination or pilferage and help increase safety in the plant. Load Lugger pallets and bar sling attachments permit efficient utilization of low-cost outdoor storage space. The Lugger's open deck is ideal for handling big pieces and odd shapes such as machinery and castings.

An investment in the Load Lugger system can be an important factor in winning the battle of costs and profits. Dozens of companies have found this to be true. Let us give you all the facts. Write today for the name of your nearest dealer.

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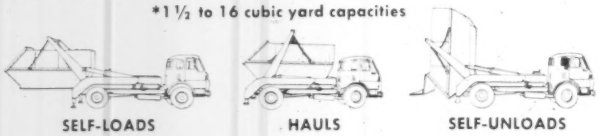
*1½ to 16 cubic yard capacities



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of us who keep our products and our ideas and our plans exciting, who keep our creative standards high, who turn our backs on the old, tired ways of doing things and look ahead to new, more efficient ways.

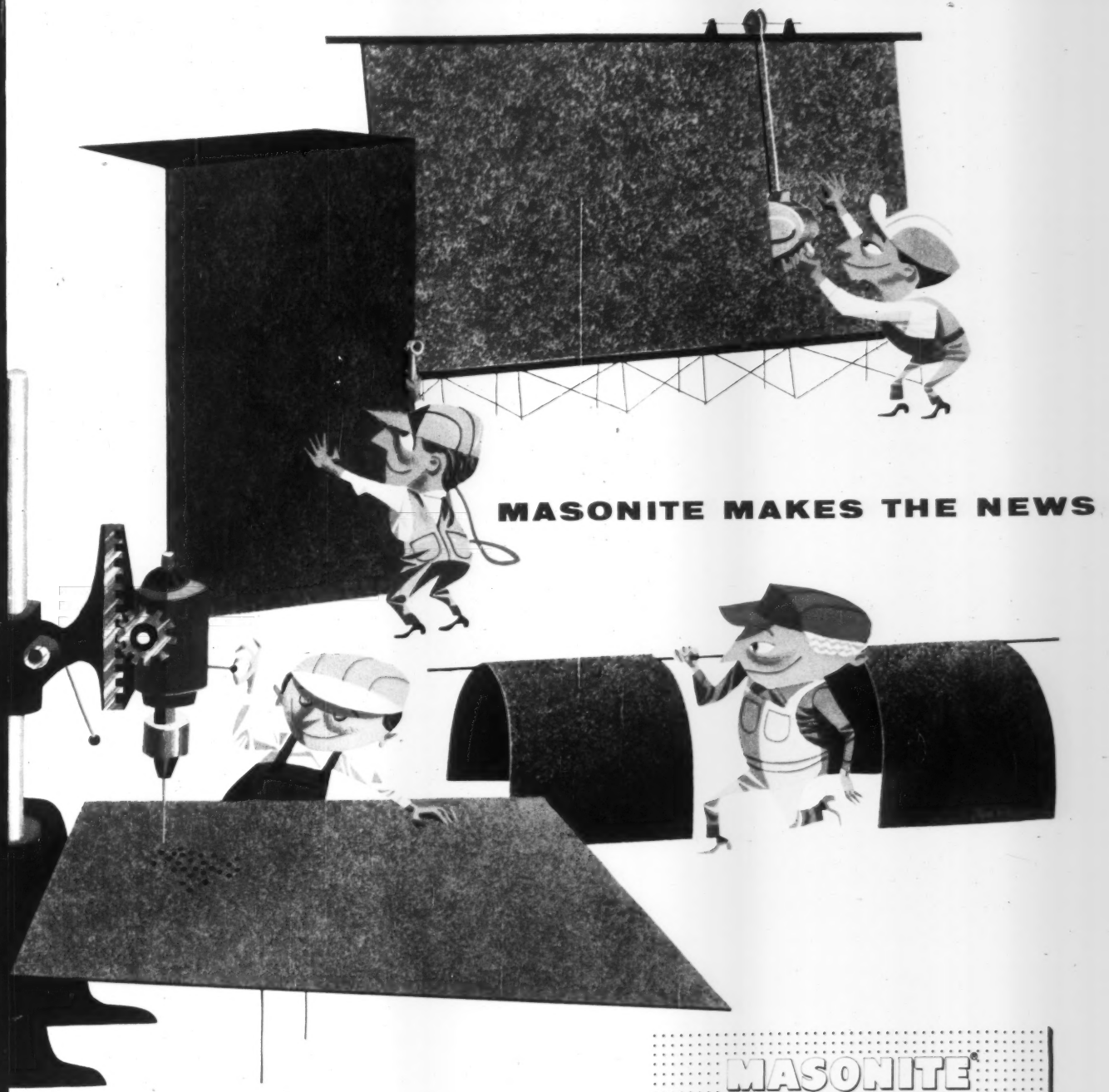
The Marketing Title Must Be Earned

EDMUND F. BURYAN, *vice president marketing, W. A. Sheaffer Pen Company, before the National Industrial Conference Board.*

Marketing research cannot substitute for management and marketing judgment. It is a tool to help find answers to specific questions, both quantitative and qualitative. It is a tool for minimizing business risks. It is a tool to help find new markets, develop new products, increase sales, and increase profits. But it is never a substitute for sound business judgment.

It is now becoming fashionable to refer to sales executives as marketing directors and marketing vice presidents. Beware of being fashionable. Loose phraseology and misguided semantics can cause no end of harm when the term "marketing" is used in the wrong context. There are entirely too many so-called marketing executives who simply do not have the qualifications. The title of marketing executive should not connote a superannuated sales or advertising manager. A marketing executive *must* not only be intimately familiar with sales management, but he must know all there is to know about advertising, particularly in the consumer goods field. He must know all there is to know about merchandising, i.e. packaging and point-of-sale display. He must also be intimately familiar with consumer and marketing research functions and know how to use these tools in exercising his responsibility, which is a management function. This is the management function of coordinating sales, advertising, merchandising, market research in close liaison with product scheduling, sales forecasting, inventory control, and research development.

Any executive who does not combine these functions in his job should not be termed a marketing executive. And companies should not be deluded into appointing the wrong man to such a position merely for the sake of being fashionable. Marketing is a line management responsibility. To be successful it must be dealt with in a business-like way.



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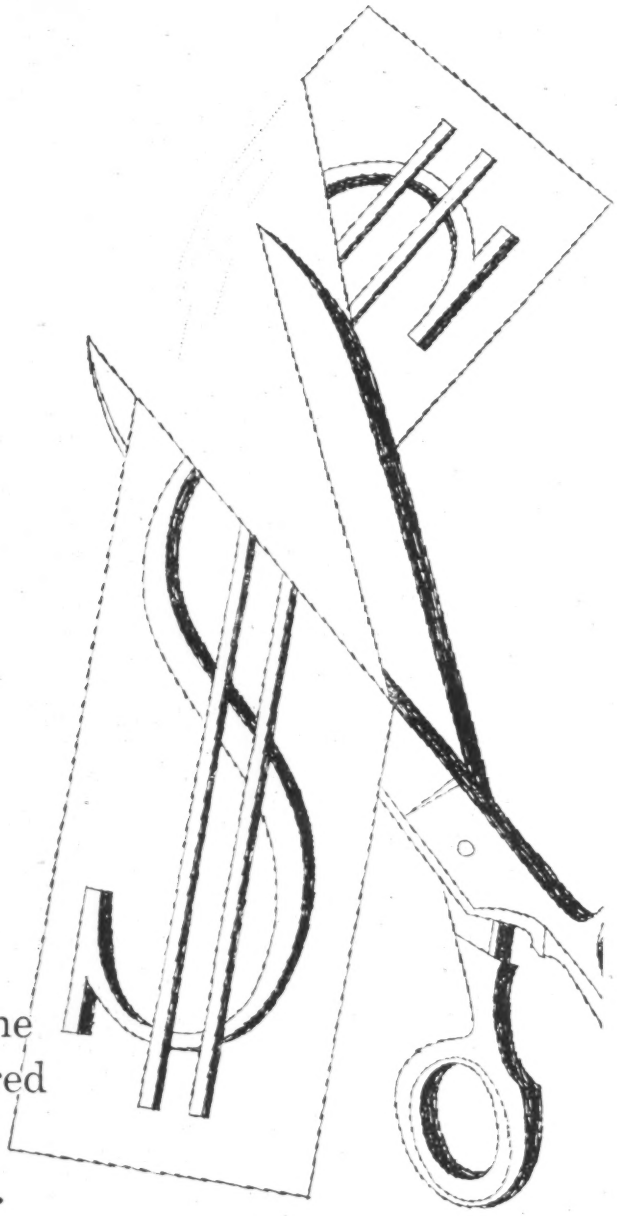
Q.

Western Electric talks a lot about its cost reduction programs. What's there to talk about?



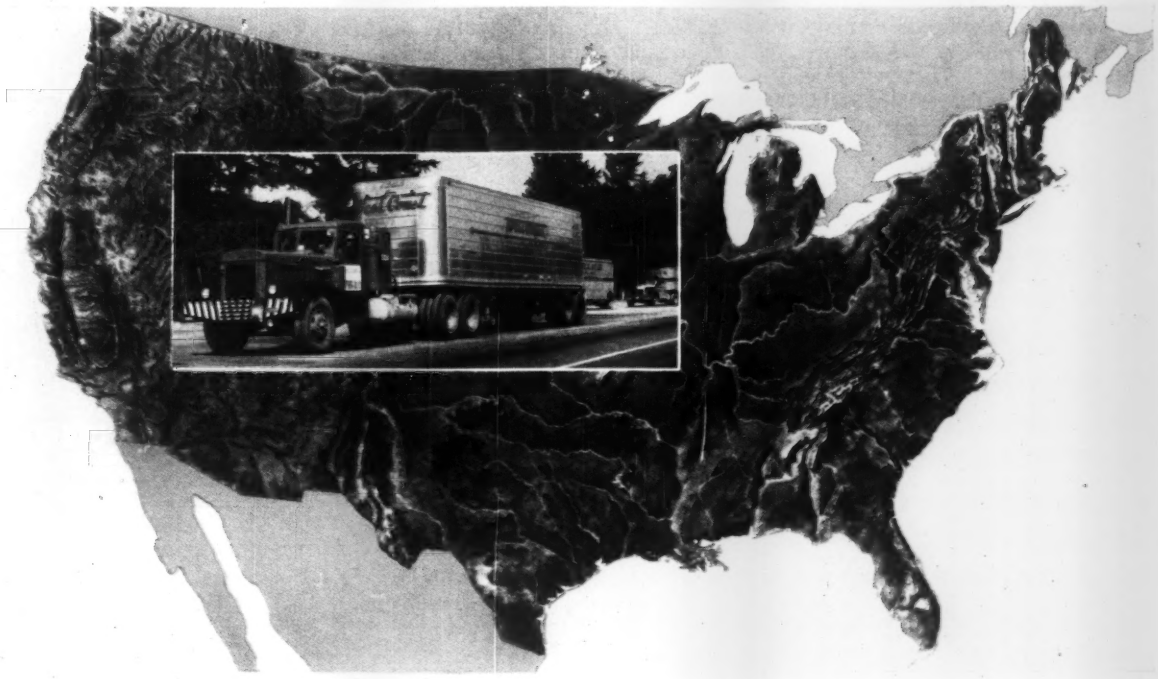
A.

Plenty! By finding new and better ways to make telephone equipment, our engineers pared nearly $6,000,000 off last year's manufacturing costs . . . a saving that helped offset rising costs incurred elsewhere by Western Electric and the Bell telephone companies.

Western Electric

MANUFACTURING AND SUPPLY UNIT OF THE BELL SYSTEM

TOMORROW'S BIG MARKETS



On the Way: 193 Million Customers

HERBERT C. ROSENTHAL

A factual, up-to-the-minute report on the vast population changes that are reshaping U.S. sales and distribution patterns—with useful clues to the location and character of tomorrow's markets.

IN THE EIGHT short years since the 1950 census was taken, American industry's domestic markets have swelled by an additional 24 million people—a billow as big as the total population of the eleven Western states. And as the U.S. population wave sweeps toward the 1960's, it adds 3 million more people a year.

But the population surf will spill unevenly across the United States in the next decade—affecting different age groups, geographical regions, residential areas, and culture patterns in very different ways. And the company that expects to chart its way successfully among these population whirlpools and eddies will have to keep a sharp lookout for trends affecting its markets.

If you're a manufacturer or marketer of consumer goods, you can easily see how population shifts affect your output. But even if you provide raw materials, capital goods, or other products not directly tied to the consumer market, population trends are bound to affect you. Witness the growth of the West Coast steel industry to serve that area's growing construction, automobile, and other manufacturing industries—which in turn derive strength from the fabulous population gains the area has made since 1940.

So whether you manufacture consumer or capital goods, mine, farm, or distribute, the strength and direction of the population surge is important to you.

The Census Bureau's attempts to forecast America's postwar population trends have consistently run below our climbing birth rate. In 1955, the Bureau—revising some 1953 estimates to drop out a "low" series and add a new "high" estimate—published a choice of four estimates of how many of us there would be be-

tween 1960 and 1975. By July 1958, we were already almost 400,000 above the "high" estimate for that date, with a population of 174,064,000 compared to the census projection of 173,682,000.

However, another economic downturn might change this picture. As Chart 4 shows, the 1957–58 recession put a noticeable dent in marriage and birth rates.

New depression babies?

A recent report on two seminars of leading economists conducted by the Foundation for Research on Human Behavior comments on this trend. The economists pointed out that more than ever before the birth rate seems to depend on the "attitude, psychological outlook, and income of the parents." Therefore, a major depression or a serious threat of war might have a profound effect on the birth rate.

However, persons who will be 7 years or older in 1965 are already born. Thus about 85 per cent of the 1965 population is already present, so there is not much chance that variations in births over the next seven years will affect the total 1965 population drastically.

Also, estimates for the first half of 1958 show births at 2,024,000—only 12,000 behind the record 1957 level. While the birth rate (per 1,000 population) was 2.1 per cent under 1957, the actual number of births was only off 0.6 per cent.

An analysis of upcoming changes by age groups as shown in Chart 1 can prove very instructive. The actual figures upon which the chart is based and some further amplification are shown in the table below.

The population trend to 1965 will present marketing opportunities at both ends of the age band, and marketing problems in the middle—as Chart 1 and the table below make clear. A 28 per cent increase in the 10–14 group and a whopping 46 per cent increase in the 15–19 group will add 9.5 million pre-teen and teenagers to our population.

Youth must be served

Here's an opportunity for marketers catering to the youth market with the products shown in Chart 1. Other products likely to show increased demand are youth clothing of all kinds, toys and games, paper, notebooks, pens and pencils and school supplies of all sorts, cosmetics, and comic books.

Variety Store Merchandiser estimates that today's 17 million teenagers have a total spendable income of $9 billion a year. By 1965 there will be 24 million of them with $14 billion in spending money.

In contrast, 1965 will show a dip in the 25–39 age group. This is a result of the depression of the 1930's which curtailed the number of marriages and babies. Auto manufacturers, builders of private homes, appliance manufacturers, and others catering to the "young married" market may have harder sledding temporarily. But by 1970, this market will be swelled by reinforcements coming up in large numbers from the younger groups.

Prospects for 1965 and beyond lie brightly before the marketers of products for the middle-and-older age groups. Drug and medical services, gardening supply stores, travel agencies, and investment brokers should be among the beneficiaries of the 7 million increase in the number of people over 45 expected between 1957–65.

Between 1950–57 — while total U.S. population was increasing 13 per cent—the Northeast was increasing only 8 per cent and the South 12 per cent. But the North Central region was keeping pace with national growth at 13 per cent, while the West was doubling it, with a 27 per cent increase.

To meet the Census Bureau's "high" estimate for 1965, total population would have to increase another 13 per cent in the 1957–65 period. This would require a 12 per cent increase in the Northeast region, 13 per cent in the North Central, 9 per cent in the South, and 23 per cent in the West.

Go South *and* West

The Census Bureau estimates for changes in the population of individual states over the 1955–65 period are shown in Chart-Map 2. However, a note of caution should be added, on the basis of 1955–57 data recently released. While the over-all increase seems well within reason, Census seems to have overestimated the potential 1965 population for the Northeast states and underestimated the increases possible for the North Central, Southern, and Western regions. For the two-year period between July 1, 1955–57, the increases were:

Northeast	1.3 per cent
North Central	3.9 per cent
South	3.9 per cent
West	6.9 per cent

If these regional gains continue—as is expected—heavily weighted toward the South and West, they will provide special market bonuses for marketers of food, clothing, and other consumer products adapted to warmer climates and outdoor living.

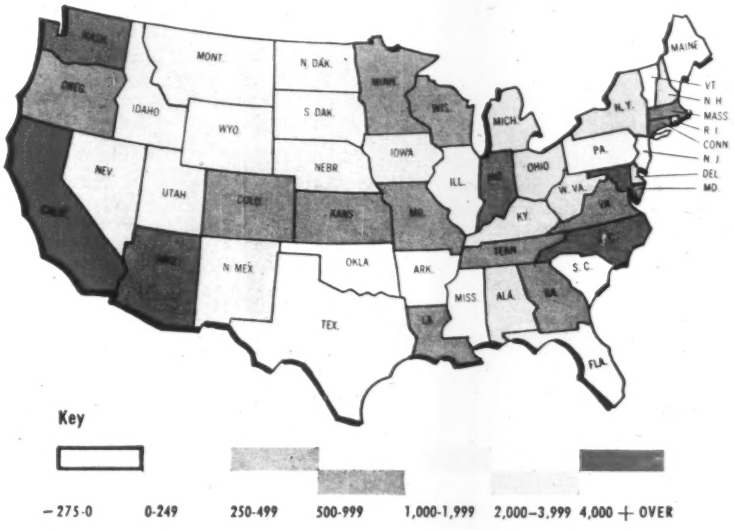
The Census Bureau was also temporarily fooled by our ability to form new households at a high rate. They estimated that the number of households would show a yearly increase

Population Changes by Age Groups 1957 vs. 1965

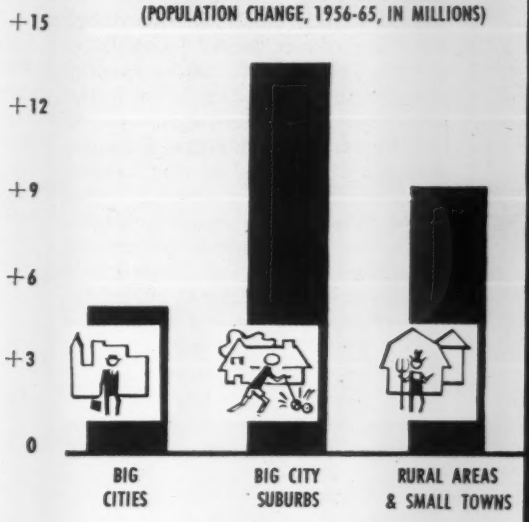
Age group	1957 (*in thousands*)	1965	Change (*1965 vs. 1957*)	% Change
Under 5	19,144	20,413	1,269	7%
5 to 9	17,993	20,252	2,259	13%
10 to 14	14,988	19,152	4,164	28%
15 to 19	11,830	17,199	5,369	46%
20 to 24	10,753	13,461	2,708	25%
25 to 29	**11,469**	**11,355**	**— 114**	**— 1%**
30 to 34	**12,298**	**10,900**	**—1,398**	**—11%**
35 to 39	**12,000**	**11,791**	**— 209**	**— 2%**
40 to 44	11,341	12,327	986	9%
45 to 49	10,541	11,369	828	8%
50 to 54	9,170	10,714	1,544	17%
55 to 59	8,033	9,307	1,274	16%
60 to 64	6,921	7,735	814	11%
65 and over	14,750	17,371	2,621	18%
Total population	171,229	193,346	22,117	13%

1 IN 1965 TEEN AGERS WILL BE THE BIG PLUS IN POPULATION

2 WEST AND SOUTH WILL GROW MOST RAPIDLY
(POPULATION CHANGE 1955-65 IN THOUSANDS)

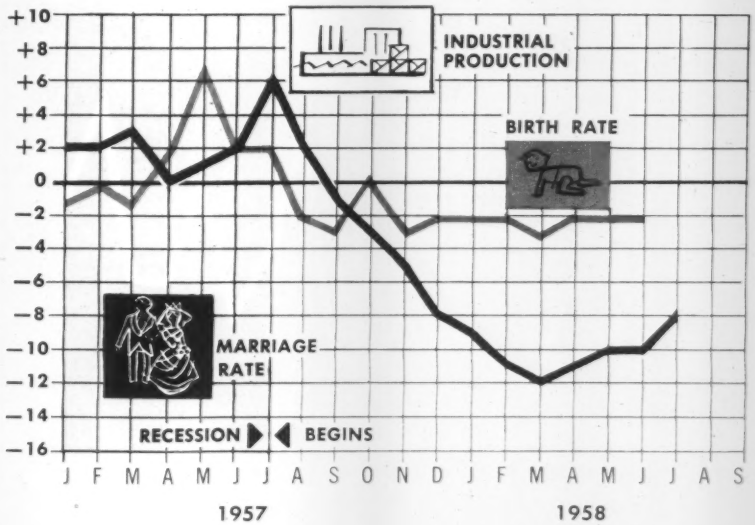


SUBURBAN MARKETS WILL CONTINUE TO INCREASE FASTEST
(POPULATION CHANGE, 1956-65, IN MILLIONS)



4 BUT ECONOMIC STATISTICS CONTINUE TO INFLUENCE VITAL STATISTICS

(PERCENT CHANGE FROM SAME MONTH IN PREVIOUS YEARS)



CHARTS BY GRAPHICS INSTITUTE, N.Y.C.

of between 521,000 and 778,000 for the 1955–60 period. But a million new families actually set up housekeeping between April 1955 and March 1956—to the delight of builders, home furnishings manufacturers, and appliance makers. However, the 758,000 total for the following year was within the census estimate range.

Incidentally, a household is defined by the Census Bureau as "the entire number of persons who occupy a house, an apartment, or other group of rooms, or a room that constitutes a dwelling unit. A person living alone or a group of unrelated persons sharing the same living quarters as partners is counted as a household."

Between 1960 and 1965, the Bureau's "high" estimate shows households increasing at the rate of 861,000 a year. Between 1965–70, the annual increase is expected to jump over the million mark.

Household formation's importance for the marketer cannot be analyzed in terms of numbers alone. Equally useful is the concept of "stage in the family life cycle." As the Foundation for Research on Human Behavior points out: "Spending for various sorts of durables is strongly influenced by stage in the family formation cycle. These findings indicate the following characteristic buying patterns: for young married couples before children arrive and living in a rented house—a car, furniture, and household durables; after children arrive—washing machine and television set; when the children reach the age of about six years—home purchase."

Families getting bigger

How many children will we be producing during the family life cycle? Between 1950–57, the number of children born to every 1,000 women 15–44 years old rose almost 22 per cent—from 1,395 to 1,696. Women 25–29 years old (the brides of the 1950's) showed a 32 per cent increase in offspring produced between 1950 and 1957. The median mother had only one child in 1940—but two in 1952 and is trending toward three by 1965.

As Chart 3 shows, the trend to the suburbs is expected to continue at least through 1965. A recent Census Bureau release shows how seriously this has already affected our biggest cities. Between 1950–56, New York City dropped 1 per cent in population. Meanwhile, the surrounding suburban counties showed such gains as Nassau 67 per cent, Suffolk 82 per cent, Rockland 25 per cent, Westchester 18 per cent. In this same metropolitan area, Hudson County—with the big cities Jersey City, Hoboken, and Weehawken—lost 8 per cent of its population between 1950–56, and Essex County, with Newark as its center, showed a slim 1 per cent gain. But among the truly suburban counties of Bergen, Middlesex, Morris, Passaic, Somerset, and Union, the average gain was 25 per cent.

Similarly, the city of Philadelphia showed a 0.4 per cent loss in population between 1950–56. Meanwhile, the four Pennsylvania and three New Jersey counties which make up Philadelphia's suburbs registered a 31 per cent increase.

Life in suburbia

Are there any significant changes in consumer behavior arising from this shift to the suburbs? The Foundation for Research on Human Behavior points out these apparent differences:

> The pattern of expenditures puts more emphasis on cars, more on the home and home-centered activity. It puts less on clothes generally but more on casual wear; it emphasizes the consumer durables associated with suburban informal living. There are added pressures for a shorter work week—a long weekend is a furlough from the city. . . . There are data which show that people who have lived in suburbs less than five years purchase a lot of consumer durables; after this period of residence, purchases are considerably less.

Malthus disputed

Do you remember the Rev. Thomas Malthus' doctrine from your school economics course? Malthus, writing at the end of the 18th Century, predicted that population growth would outrun food supplies, and that the excess population would be doomed to perish through hunger, pestilence, or war. But the Western world's industrial revolution, bringing about a huge increase in productive ability, seemed to disprove Malthusian economics.

Today, however, improvements in public health techniques, which are penetrating even the most backward countries, have once more brought Malthus to favor in many quarters. For, in Asia, Africa, and Latin America, death rates have fallen while birth rates have remained high, and food production has in many areas failed to fill the many new and hungry mouths.

In the United States, too, Malthusian fears are being voiced. The Population Reference Bureau, in a recent issue of its Population Bulletin, states:

> The baby boom has resulted in 38 million births in the United States during the postwar decade, 1946–1955.
>
> This does not necessarily guarantee national prosperity, as some people imply.

continued on page 58

"GO WEST" is the watchword for many companies on the trail of tomorrow's customer. Heavy population shifts, typified by development in Los Angeles, will hit a peak by 1965.

Industry Gets Set for the '60's

CHRISTINA KIRK

Aggressive plans for cracking the growth markets of the 1960's are already being translated into action in a large group of representative companies, this new DR&MI survey shows.

AMERICAN INDUSTRY is already gearing up to meet the unprecedented demands of the 193 million customers who, by 1965, will be in the market for everything from exotic metals to better mousetraps.

A new DR&MI survey of 66 representative companies across the nation shows that industry is taking steps to prepare not only for the new profit opportunities but for the accompanying problems of geographical shifts and changing channels of distribution. Well over half the concerns surveyed were industrial manufacturers, and most of the remainder were makers of consumer goods.

Eight out of ten of the replying companies expect their total sales volume will increase by 3 per cent to 400 per cent in the next seven years, and many intend to follow their potential customers as they migrate to the booming South and West.

Long-range sales forecasts aided the companies in anticipating the boom expected to occur between 1965 and 1970. Better than half of the concerns make their forecasts five years ahead. The majority plans from one to ten years in advance, and some try to predict sales as far as twenty years in the future.

On the basis of these forecasts, the DR&MI survey reveals, industry expects changes in the population such as the fast growth of particular age groups, income classes, and geographic areas to boost sales a median 28 per cent higher by 1965. And by 1970, the majority of the concerns expect sales to increase by 35 to 100 per cent. Some even see the sales chart zooming up 700 per cent.

Here are a few of the specific measures alert manufacturers are taking now to get set for the projected deluge of orders:

- Erection of new plants, branches, and service centers, and modernization of existing facilities.
- Expansion of production capacity.
- Additions to the product line.
- Market research and expansion.
- Additions to sales staffs.
- Relocation of facilities.
- Diversification, acquisition, and/or decentralization of plants or outlets.
- Concentration of outlets and sales operations.

On the wholesaler level, much the same approach is being taken.

Typical of these forward-looking concerns is the Crown Cork & Seal

continued on page 108

Less Room for the Middleman?

Two out of three companies participating in the DR&MI survey foresaw possible future changes in their distribution channels. Although the size of the total sample doesn't permit hard-and-fast conclusions to be drawn about trends in this area, a significant proportion of these companies envision increased direct sales or greater emphasis on sales through large retail chains, or both. Here are some typical replies.

Increased direct sales

"We may go to direct sales, bypassing distributors"—*Motor truck parts manufacturer*

"We are considering more direct factory outlets with a withdrawal from established retail distribution organizations"—*School bus and passenger coach manufacturer*

"Less agents, more direct sales"—*Electrical equipment manufacturer*

"Direct sales to builders. Elimination of dealers as an intermediary where large builders are concerned. More items handled that are non-warehouse"—*Building materials manufacturer*

"Increased direct sales"—*Carpet and furniture cleaner manufacturer*

"Elimination of some distributor arrangements in favor of direct to dealer unless both can function more efficiently and reduce the current spread between manufacturing cost and retail price"—*Electrical equipment manufacturer*

Bigger retail outlets

"More emphasis on direct selling. Continuation of the postwar trend toward concentration and chain growth"—*Food products manufacturer*

"Possibly will be selling through variety chains and food markets"—*Knit apparel manufacturer*

"Fewer small distributors and more large retail men's wear chains"—*Men's wear manufacturer*

"The trend is toward chain or multiple store operations, instead of one store with one-family ownership"—*Men's wear manufacturer*

"Increasing numbers of portable typewriters will be moved through large volume outlets such as department stores and discount houses. More and more the tendency is to sell office typewriters direct to the user through the manufacturer's own salesmen"—*Typewriter manufacturer*

"Fewer and larger wholesalers and retail dealers"—*Building materials manufacturer*

REPORT NO. 9

To keep his job in times of shrinking profits and mounting stockholder pressures, every company president must have the confidence of his board of directors. Yet he must still exercise considerable freedom of decision and responsibility. How he does this, at the same time calling on his board for specific guidance and support, is the substance of this report, which is based on a major new survey.

COMPANY PRESIDENTS SIZE UP THE BOARD

Part I of a Special Presidents' Panel Report

KENNETH HENRY, *Executive Methods Editor*

- ***Directors help operating management most and interfere least when they are fully informed.***
- ***In the typical big industrial companies, slightly more than half the directors are "outside" men.***
- ***More than eight out of ten presidents think directors ought to own company stock.***
- ***Recruiting new directors highlights a common problem: the best men are always the busiest.***

WHEN convened, the nine to thirteen directors who sit on the board of directors of the typical large industrial company represent an imposing concentration of authority — the final say and total legal power of the corporation. Yet the board as an institution has lately been the butt of a good deal of disrespectful criticism. It has been called "a mere showcase," "a tired fiction," "a shadow king"—even, in the words of one sharp-tongued critic, a "sorry if not iniquitous affair freighted with incompetents and adventurers."

Few business men or serious observers of the business scene put much stock in such views. For one thing, the successful functioning of American business is itself a strong rebuttal. For another, management, from its own experience, quite simply knows better—although in the smoke of such charges, some business men may discern an occasional flash fire of truth.

Currently, some less dramatic criticisms of the board are more likely to be valid. These tend to be directed toward the board's effective administrative functioning —its capabilities as appraiser, as counselor to the management it elects, as formulator of sound basic policy. It has been said of some boards that they don't know their place and want to run what is properly the president's show. Others, more numerous, reputedly tend to rubber-stamp whatever operating management proposes. Boards may, in some companies, be overworked and underpaid. They may be ingrown and over-conservative, or detached and unknowledgeable. But these, it seems likely, are the exceptions. Undoubtedly, some boards may fall short of the ideal, but few corporations could prosper for long if all the charges were true.

To get a whole, focused, and accu-

rate picture of the board of directors at work, DR&MI decided to ask the men who know it best—the presidents of successful companies, who must work with and answer to the board. More than 100 industrial leaders participating in the latest Presidents' Panel survey gave their views and reported on their experience and the details of their board structure.

The picture that emerges shows a typical twelve-man board; sitting in stewardship over a successful company with thirteen or fourteen U.S. plants, 11,500 employees, more than $155 million in total assets, and more than $185 million in annual net sales. (Three out of four Panel companies are among the 500 largest in the United States.)

In representing stockholders for these companies, the boards of directors have, of course, the usual responsibilities of electing management; declaring dividends; approving, as fiduciaries, such fiscal matters as audits, major capitalization expenditures, borrowing, high-level salaries; and, more generally, overseeing all corporate affairs which are exceptional, basic, and paramount—a function some authorities have called the "twilight area" of board responsibility.

What the board must do

To many company presidents responding to the survey, the board's responsibilities are basically, as one of them puts it, "to choose the administrative and operating heads of the company and see that they do their jobs well—or get replaced." As the management overseers and stockholder trustees, boards must, the presidents repeat, perform their usual acts of stewardship: conserving the corporation's assets and maintaining its earning power, preventing overextension, testing the validity of management policies and decisions, acting as "appraisers and questioners on performance, in line with major corporate objectives," seeing to it that all by-laws are observed, "approving any major change in the company's business, such as entry into a new field," ratifying mergers and expansion plans, and so on, through the many fiscal necessities that require the seal of majority board approval.

But many presidents expect a good deal more than this of the directors—e.g., they should "protect stockholders' interests in initiating as well as reviewing management's actions," or even "assist management in expanding sales outlets," "chart the course of the business, short-term and long-term, by setting out policies and goals."

Where to draw the line

With two minor exceptions, the company presidents say unanimously that they rarely if ever have trouble keeping their directors out of administrative matters. "When the board is well informed, they seldom interfere," is a common remark. The board, the presidents often add, is interested in

Guidance Without Interference

Long before the board meets and the minutes of its formal decisions are recorded, there has often been a great deal of consultation and other more or less formal communication between the directors and the president, in the interest of keeping the board informed. Almost as often, the president may engage in straw-polling his board or drawing on the specialized talents or knowledge of individual directors without risking board intervention in management affairs. Here is what some of the DR&MI Panel presidents have to say about their communications with board members:

"Confine consultations to those members of the board who are experienced and who are more or less specialists in a particular field, and also establish a very clear understanding with the board that they are supplying information and guidance in decisions."

"Sending individual board members condensed written reports between meetings covering operating policy, decision, and action . . . eliminates many questions which arise."

"We have certain committees which have to do with the management of the company in a consultative way, and there are members of the board on these committees. Both through the president of the company and these members, the board is kept informed."

"Constantly and regularly communicate with my board, so that they are able to render judgment on matters within their sphere. Use individual members as a sounding board on thorny problems."

"Go to the board, for the most part, *with* decisions—not *for* decisions. Obviously, we don't always anticipate all viewpoints, but rarely are carefully thought-through plans voted down."

"We are fortunate in having an experienced board which does not interfere with management, but each member of which is ready and willing to see me at any time to help me when I need advice."

"Set up subcommittees of directors to pursue specific problems and recommend action. Consult with them individually on problems that may be brought to the entire board's attention."

"Go to them from time to time, together or individually, on various matters that seem to justify their attention. In other words, maintain an initiative in the board-chief officer relationship."

"Most of the guidance and counsel from the board is secured from intermediate luncheon meetings with one or two of the board members independently."

"Some of our outside board members who are specialists in certain fields are engaged as consultants separate and apart from their obligations as board members. This enables us to achieve maximum guidance and help from their talents and ability."

AMONG THE DR&MI PANEL MEMBERS ARE THE PRESIDENTS WHOSE PICTURES APPEAR ON THIS AND THE FOLLOWING PAGE AND ON PAGES 66 AND 67. A COMPLETE LIST WILL BE FOUND ON PAGE 64.

Harry F. Vickers
Sperry Rand Corporation

Rea I. Hahn
Walker Manufacturing Co.

Howard R. Walton
Hiram Walker & Sons, Inc.

William A. Steele
Wheeling Steel Corporation

W. A. Munns
Smith, Kline & French Laboratories

results, not details. Some men explain the harmonious live-and-let-live relationship between the board and the operating officers as "a reflection of mutual confidence between the directors and the management." Where an occasional encroachment problem crops up, "we blow the whistle," says one president. Reports another: "I simply question whether the particular point is not one which should be decided by management in carrying out the board's policies."

Charting management's domain

But where to draw the line between management's operating domain and what the board should consider is not always clear or easy, although most presidents believe they do it with relative ease, bolstered by corporate traditional practice and the company's more explicit by-laws or legal counsel. Where the far future or major financial decisions are involved, of course, there is little problem—and none at all, of course, in those matters which by law the board alone must consider.

Many companies have spelled out in writing or established in practice what goes before the board. One company president has detailed seven specific—and typical—decision areas which are always put before the board for action: "(1) Capital expenditures in excess of $25,000; (2) acquisitions or mergers; (3) broad policy questions; (4) top executive salaries; (5) matters which might affect personally one of top management; (6) contributions and donations which do not come under the [company's] Charitable Trust; (7) any stock option, pension, bonus, or profit-sharing plans. In summary," he writes, "any matters that have a substantial effect on the operations of the company and, as a result, on the stockholders, are given to the directors for a decision." "Decisions for board action," another man says briefly, "involve long-range plans, large sums of money, or deviations from past policy."

Going to the board for "decisions that may have serious impact on company operations" may include, according to some panelists, such matters as union contract negotiations and "revolutionary" pricing policies. A number of men insist that drawing the line is up to the president's judgment and that no hard-and-fast rules are possible. Most agree that, even when the president draws the line to his own and his board's satisfaction, its location is not easily defined. One president applies a hypothetical key test question before deciding: "If I were an *outside* director, is this a matter on which I would think the board should have been consulted?" Another man says he exercises "a sixth sense which I believe all chief executive officers develop in relation to their directors."

When any matter is in doubt, of course, the president may always submit it to the board for decision or referral back to management; and if

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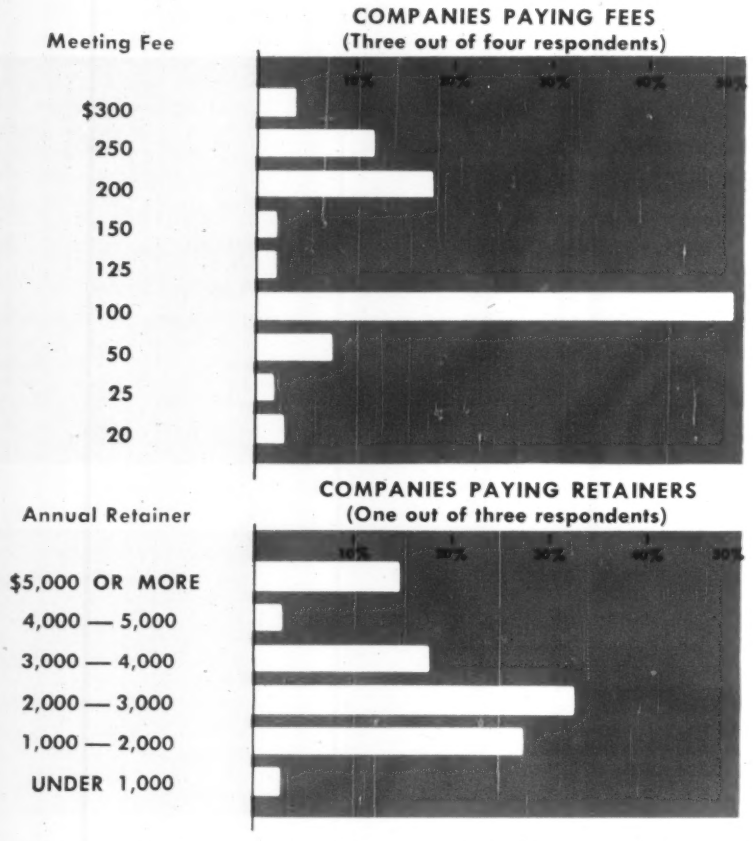
The Director's Paycheck



Usually limited to outside directors, fees are paid for each meeting by 74 per cent of the Panel, and retainers by 34 per cent. Seventeen per cent of the Panel pay both retainers and fees; 9 per cent pay neither. Frequently, companies also pay travel expenses for directors, and fees for extra committee or consulting services. Occasionally, fringe benefits, such as profit sharing and insurance, are provided.

Richard R. Higgins
The Kendall Co.

William L. Keady
Fibreboard Paper Products Corporation

Ray R. Eppert
Burroughs Corporation

Whitley C. Collins
Northrop Aircraft, Inc.

H. F. Krimendahl
Stokely-Van Camp, Inc.

G. J. Coffey
Chicago Pneumatic Tool Co.

WHITE COLLAR PAY:
Still Headed Up

Like the cost of living, clerical earnings have kept right on climbing—recession or no recession.

IF THERE ARE any employers who have been counting on substantial relief from the pressure of rising white-collar costs as a result of the 1957–58 economic slump, they'd better wake up and look around. Surveys now confirm that the deepest recession since World War II was too short-lived to do more than temporarily slow down the steady annual rise in clerical pay.

"The recession didn't bite deep enough or last long enough to have much effect on the office worker's situation," says one industrial relations expert who is in day-to-day contact with hundreds of personnel people.

"The quantity has been greater, but the quality has been no better," says one personnel director, speaking of the flow of job applicants through his company's employment office. "Those who were laid off were the most dispensable. As a result, we have often had to interview more applicants to find one good one than we did a year ago.

"Even that situation is changing already. Whatever looseness there has been in the white-collar labor market is darn near over, and there never was any noticeable easing up of the shortage of secretaries and good stenographers."

The trend is up

Nationwide figures on office workers are hard to come by, and usually outdated by the time they are published. A good indication of trends may be found, however, in the annual survey of office wages and personnel practices of the Commerce and Industry Association of New York, covering an area in which a substantial fraction of the nation's office workers are employed.

The Association reported in August that the average New York office worker's earnings, as of June 1, 1958, had increased 2.86 per cent since its last previous survey in October 1957. For 44 out of 58 job classifications, the average wage increase was 3.94 per cent. For eight categories, pay was unchanged, and for six there was an average decrease of 1.48 per cent. An Association representative was uncertain of the explanation for the six decreased rates—five of them in auditing jobs—but suggested they might result from an unusual proportion of newly hired workers receiving lower starting rates.

Raises for clerical help

Hiring rates have not been cut, however, any more than the rates of longer-service employees, if the New York figures for six key jobs are a good criterion (see box).

The 2.68 per cent increase in average New York clerical earnings from 1957 to 1958 is about equal to the increase in 1957 pay over that of 1956. (The Federal Reserve Bank of New York estimated office and professional workers' earnings went up 5.4 per cent in the earlier year, but its figure for 1958 has not yet been arrived at.)

Pay for Six Key Jobs in New York City

Position	Hiring rates 1957	Hiring rates 1958	Median pay 1957	Median pay 1958
Messenger	$47	$48	$50	$51
Jr. clerk	50	50	52	54
Sr. typist	60	60	61	54
Sr. steno.	62	69	69	70
Sec'y-steno	67	71	77	80
Secretary	79	80	86	90

The Bureau of Labor Statistics of the U.S. Department of Labor, in a mid-Summer bulletin based on a New York area survey in April of this year, showed women clerical workers' standard weekly earnings up 3.5 per cent from the previous April, as against a 5.2 per cent rise in the previous year. They did not do so well as other classifications, according to the BLS: pay of industrial nurses was up 4.7 per cent this year; of skilled maintenance men, 4.3 per cent; and of unskilled male plant labor, 4.6 per cent. The BLS uses standard weekly salaries for clerical workers and nurses, straight-time hourly earnings for others.

Non-clerical rates higher

Hourly paid workers outdid women clerical workers (the BLS gives no separate figures for male clerical workers) in areas other than New York, as well. In Memphis, Tenn., the BLS found that women clerical workers boosted their earnings 2.4 per cent, against 6.3 per cent for skilled maintenance men and 4.5 per cent for unskilled plant labor. In the Los Angeles-Long Beach area, it was 3.3 per cent for the clerical workers against 5.3 per cent for skilled maintenance men and 5.2 per cent for unskilled plant labor. In Portland, Ore., the corresponding rates of increase were more nearly equal: 5.1 per cent for women clerical workers, 5.8 per cent for skilled maintenance men, and 5.2 per cent for the unskilled.

A couple of factors do not show up, however, in these percentages. Loss of overtime, more common among hourly paid workers, is not shown, nor is the loss of pay inflicted by shorter work weeks or layoffs, both practices more common in the

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Companies are talking bedrock economics more firmly and factually than ever. Objective: To make employees more aware of what's required to make jobs secure, and to soften unreasonable demands at the bargaining table.

OPERATIONS MEN *at Gladding, McBean, Los Angeles, discuss pre-bargaining strategies.*

Management Tries Some Straight Talk

ROBERT NEWCOMB and MARG SAMMONS

DON'T SHAKE hands with a management bargaining representative these days—he's apt to crush a bone. That metallic glint in his eye is real steel.

He is symbolic of the new front which management is beginning to adopt, not only in the bargaining tournaments with the labor unions, but in the preliminary conversations in which management has suddenly found a new voice. He is symbolic of the new management insistence that employees, as well as the union representatives at the bargaining table, be told the cold facts of economic rises and declines.

The recession is entitled to some of the credit for management's new candor. Employees—constantly reminded by the labor press of management's bottomless reservoir of plenty—found themselves faced with the sobering realities of short work weeks, layoffs, and plant shutdowns.

Many employees discovered, tardily, that what management had been telling them about competition, inflation, profit, the need for quality, and the importance of the customer had more than a grain of truth in it. It took the recession to bring the picture into focus.

Many employees have learned also, to their dismay and discomfort, that union appraisals of the American economy have not been altogether accurate. For the first time in ten years or more, management realizes it has the employee's ear, and it is the intention of at least some to pour something into it.

The buttoned lip

Only a few years ago it was unusual to find in either the oral or printed communications of management any reference to impending negotiations. The topic was taboo more as a result of tradition than common consent. The labor press, of course, imposed no such restraints on itself. It talked freely of its demands, promised new and gratifying conquests for the membership, and practically notarized the company's ability to pay. Management, meanwhile, clung to its conviction that the place for bargaining was at the bargaining table—and nowhere else.

Certain managements today are asking, "Is it?" Some are taking the stand that management triumphs at the bargaining table are in direct ratio to the amount of effort and energy management puts into its pre-bargaining activities. This effort and energy, it is maintained, should not be confined to the few hours before negotiations. On the contrary, it should be expended around the clock, over the year. There is no better time than now, they add grimly, to begin. By way of example, at Gladding, McBean & Company, Los Angeles, management begins to plan for the next negotiations before the ink is dry on the contract.

GLADDING, McBEAN *bargaining team scans notebook used in preparing for negotiations.*

Management bargaining representatives go into session, as a rule, at least reasonably well armed with facts and figures. Yet, because the unions make bargaining strategy and tactics their full-time job, management finds itself (in the words of H. K. Swenerton, Gladding, McBean vice president) "outplanned, outgunned, outmanned, and outmaneuvered." Meanwhile, the rank-and-file employee remains unaware of the scope of the conflict and has few facts other than those supplied by the labor press.

Inflation made easy

It is this chasm of ignorance modern management is seeking to fill with hard fact and sensible business philosophy. "Stop this wage-price leapfrog!" is the straightforward appeal in the publication for employees of Nuclear Products—Erco Division of ACF Industries at Albuquerque, N.M. This is no lofty, academic discussion of the evils of inflation—it's a to-the-point analysis of cause and effect, with homespun examples of what another round of wage-price increases will mean to employees anywhere.

The Sherwin-Williams Company, Chicago, is currently publishing in its employee journal a series of bedrock articles on "how to beat higher prices." In Akron, editors of the B. F. Goodrich tabloid solicited a feature article on wages and employment from the company's director of business research.

Caterpillar Tractor Company, Peoria, Ill., put the problem of inflation squarely up to the union, and, by publishing it in the employee paper, invited employees to appraise the company's proposal. Labor relations manager Roger Kelley put it this way to company employees: "Our proposal considers most carefully the need to fight inflation and the recession and the need to return our laid-off people to work at the earliest possible time. With the importance of these objectives, we believe that employees will want to be well informed on the company's proposal. It is for this reason that we are explaining it extensively in this issue. . . . The 1958 demands of the union are completely unrealistic, and their cost is utterly fantastic. Instead of fighting the recession and speeding the recall of laid-off employees, these demands —if granted—would have exactly the opposite effect."

A time for candor

Because employees during the recession wanted to hear what was on management's mind, Goodyear stepped up the pace and candor of its messages. Recently President E. J. Thomas "broke" a large editorial on the first page of the employee paper, called it "The Business Outlook," and indulged in a fine bit of management shot-calling.

Recently Brunswick-Balke-Collender, Chicago, faced negotiations at one of its plants. To give the employees management's view of the situation, B. E. Bensinger, president, addressed a special letter to employees in the company publication. "Now is the time for all of us," he wrote, "to consider the facts of the past thirteen years, in order to judge fairly how our company has contributed to the better living of all its employees." In simple, graphic style in three pages following, it was shown what the company had added to the community economy in wages and salaries, since the plant was opened, and precisely what employees receive in wages,

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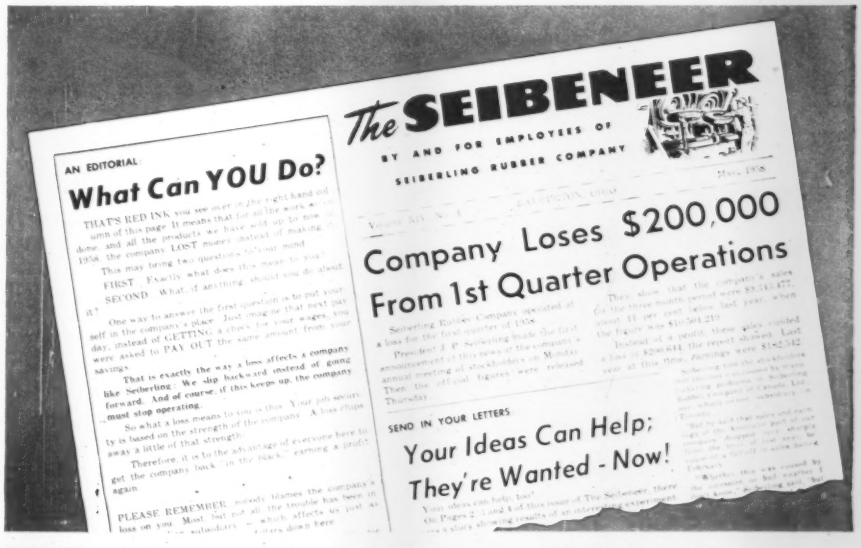
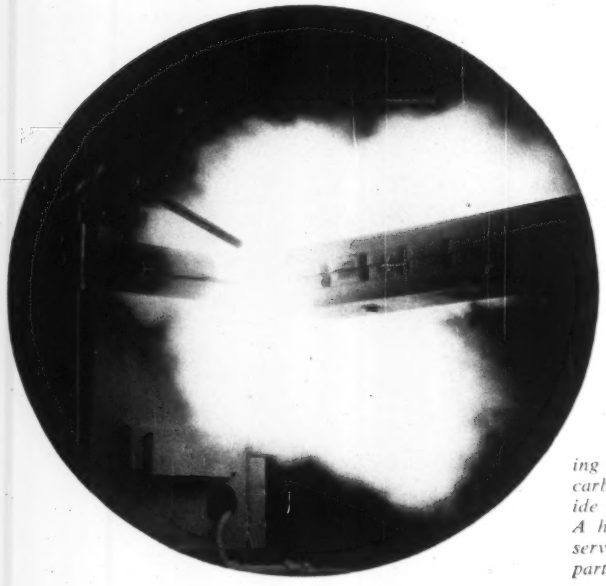

The SEIBENEER
BY AND FOR EMPLOYEES OF SEIBERLING RUBBER COMPANY
AN EDITORIAL
What Can YOU Do?
Company Loses $200,000 From 1st Quarter Operations
SEND IN YOUR LETTERS
Your Ideas Can Help; They're Wanted - Now!

OPERATING LOSSES *were headlined in employee paper of Seiberling Rubber Company, Barberton, Ohio. Employees were urged to suggest remedies for improving the situation.*

Battling machine wear is no longer the exclusive province of the lowly grease monkey. Today, to protect its investments in costlier, more complex production equipment, top management itself is getting into the maintenance act.



VALUABLE *weapon in the war on wear: a Linde flame-plating gun in action shooting particles of tungsten carbide or aluminum oxide on to a metal part. A hard coating increases service life of wearing parts up to 500 per cent.*

Industry's War on WEAR

MELVIN MANDELL, *Industrial Editor*

WEAR IS a chain reaction. If it gets out of hand, it can flash into an economic explosion right in management's lap. At the least, this can mean replacement of costly parts and shortened equipment life; at worst, profit-eating downtime on some key production machine, collapse of a giant construction crane, or a disastrous wreck of a truck or freight train in which human lives may be lost. And long before any such explosion occurs, machine wear—the greatest enemy of accuracy—may be causing higher scrap losses in the factory.

That's why management, particularly in manufacturing companies, has been taking a more active role in industry's war on wear. Today's faster, more compact, increasingly automated, and often staggeringly costly machinery calls for careful design, specification of the toughest materials, and the best anti-wear and automatic lubrication devices, to free maintenance, as far as possible, from human error. In progressive companies, management has taken the lead in demanding this modern equipment, even if it costs more at first. Here, more than in any other area of plant and vehicle maintenance, an ounce of prevention saves pounds of cure. Yet the prevention must be intelligently weighed out to conserve dollars under today's profit pinch.

Starting from specs

As a result of the continuing shift in anti-wear responsibilities from the plant maintenance force to the original equipment designer, management is getting involved in the war on wear at the specification stage. Since the top management of practically every company is heavily involved in any capital equipment purchases, it must make sure that the best anti-wear devices have been designed into equipment. Particularly when capital is hard to come by, plant management may be tempted to ease the budget problem by skimping on anti-wear devices in equipment specifications. But this is almost certain to be false economy.

And in that substantial portion of industry which is obliged to design and frequently to build its own special production machinery and associated materials handling equipment, management's involvement is even more immediate. Without the incentive of competition, company designers must be carefully checked and encouraged by management to utilize the latest anti-wear measures.

It's top management, too, that has the final responsibility for choosing among lubrication systems that affect plant construction and layout. Long before a new plant is put up or an old one rebuilt, management has to decide between individual automatic systems for each machine or complex lubrication systems serving more than one machine. For a long time the complex systems, which call for less care and cost *per machine*, were favored. Today, the automatic system for each machine is the preferred choice. Besides reducing the risk of spreading fire, individual systems offer greater flexibility if a change in machine layout is desired. It's a lot harder to disconnect and move a machine tied into a central system.

Guarding Your Equipment Investment–A Management Checklist

☐ Does one man have responsibility for lubrication and anti-wear measures in equipment and/or vehicles? Is he a lubrication specialist? (A good rule of thumb: hire one if maintenance costs are over $100,000 annually.)

☐ Are careful records kept to insure compliance with lubrication specs and schedules?

☐ Is there a maintenance card, including lubrication requirements, on each machine or vehicle?

☐ Do your maintenance people keep good records on replacement of wearing parts? (You may have an excessive wear problem and not know it.)

☐ Is your plant subject to considerable machine downtime because of manual lubrication methods? (Many types of machines must be stopped for manual lubrication under stringent safety rules.)

☐ Have scrap rates increased lately? (Too much wear lowers machine accuracy; poor lubrication makes machines run erratically.)

☐ Must machines be disassembled for lubrication? (Modern practice is to eliminate inaccessible wearing points.)

☐ Do your machinery purchasers insist on central lubricating systems, sealed or self-lubricating bearings and wear-resistant parts for new machines, where practicable?

☐ Are there safety interlocks between the central system and all machines serviced by it?

☐ Do your maintenance men avail themselves of the field services of machinery, bearing, and lubricant suppliers? (Most of it's free and usually not linked to a sales pitch.)

☐ Are manufacturer's specs on lubricants for every new machine or vehicle checked against current stocks of lubricants for equivalents?

☐ Do your operating personnel buy lubricants by price only? (A very dangerous practice, considering the low cost of lubricants as compared to the total cost of machines.)

☐ Are lubricant stocks checked at regular intervals for simplification? (Annual checking is essential, and semi-annual is recommended.)

☐ Are lubricants exposed to air? (Wherever possible, lubricants should be transferred directly from shipping container to wear point to avoid dirt contamination.)

☐ Are bearings over-lubricated? (It takes amazingly little oil to lubricate a bearing. Most of the damage to small electric motors in industry is done by over-lubrication.)

☐ Do your maintenance men routinely change the type of lubricant when a bearing fails, or do they make a thorough investigation of the failure? (There are dozens of reasons for bearing failure, the most prominent being overloading and dirt.)

☐ Are lubricants stored indoors where there is less chance of contamination? Is the storage room kept clean, suitably drained, and made of fire-resistant materials?

☐ Are the older lubricants used first?

☐ Are lubrication men encouraged to report potential trouble spots to the maintenance force?

☐ Are grease-gun fittings standardized, or is a multiplicity of grease guns required?

☐ Are lubrication lines well secured and located so as to discourage their use as ladders or stepping points for operating or maintenance people?

☐ Are old bearings put back after machines are overhauled, or are they discarded? (Modern practice is to throw them away as a preventive maintenance measure, since they represent such a minute part of total equipment cost.)

☐ Do your maintenance men rebuild worn parts, or is the work farmed out to the nearest machine tool builder? (Farming out is frequently cheaper, because tool builders have the latest rebuilding and hardening equipment.

☐ Do you make frequent, unannounced visits to your plants and repair shops?

☐ Have you considered the pros and cons of leased maintenance?

Considering that under manual lubrication methods it costs about $4 in labor to apply each $1 worth of lubricant, there's good reason for the addition of labor-saving automatic lube systems and sealed bearings on older manually lubricated equipment. But often the lead must come from top management. For one thing, upgrading costs may be high—it's always more expensive to add an improvement to a machine than to specify it originally. For another, it can be a considerable strain on an old-time maintenance foreman to initiate a move that cuts down on his personal empire (even though it doesn't diminish his responsibility). Upgrading the anti-wear features of existing machinery will be easier when your plant is not running full blast.

Management must give special attention to wear if it's considering embarking on an automation program. Reliability and long life are, of

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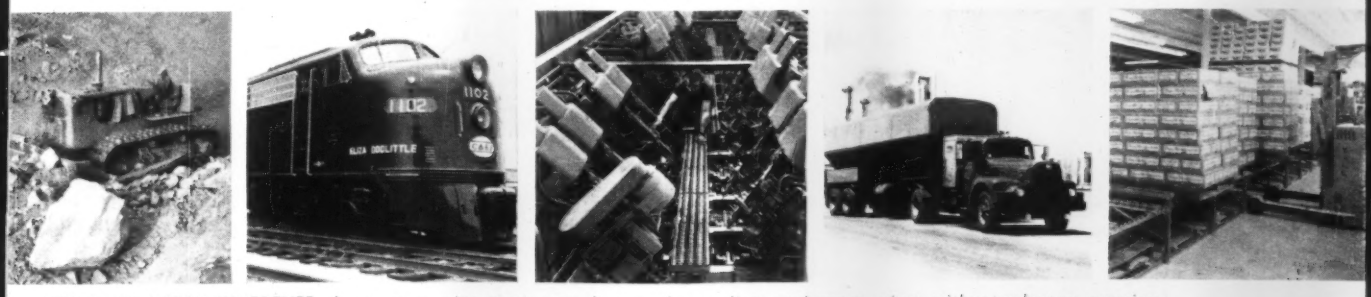
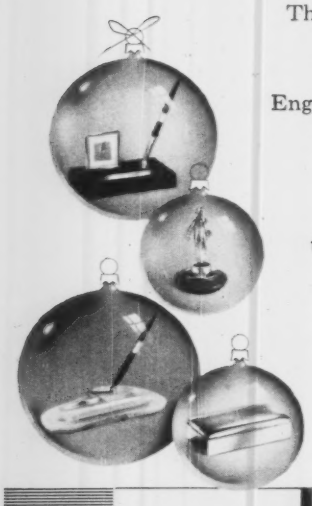


WEAR, AT WORK WHEREVER *there are moving parts, can destroy the costliest equipment, often without advance warning.*

THERE'S STILL TIME TO ORDER

distinctive personalized Christmas gifts



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Fourteen Important Ratios

in 24 Wholesale Lines

These ratios, which are compiled annually under the direction of Roy A. Foulke, Vice President of Dun & Bradstreet, Inc., provide a useful though by no means absolute yardstick for financial self-appraisal by management. Ratios for retail lines appeared in the October issue, and those for manufacturers will be published next month.

DEFINITIONS OF TERMS

THE RATIOS—The data used are based upon a representative sampling with a tangible net worth which only occasionally is below $50,000. . . . The center figure for each of the twelve lines is the median. The other two figures in each line are quartiles; for each ratio they indicate the upper and lower limits of the experiences of that half of the concerns whose ratios are nearest to the median. When any figures are listed in order according to their size, the median is the middle figure (same number of items from the top and the bottom) and the quartiles are the figures that are located one-quarter and three-quarters down the list.

COLLECTION PERIOD—The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any) less reserves for bad debts, represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable (plus any discounted notes receivable) by the average credit sales per day to obtain the average collection period.

CURRENT ASSETS—Total of cash, accounts and notes receivable for the sales of merchandise in regular trade quarters less any reserves for bad debts, advances on merchandise, inventory less any reserves, listed securities when not in excess of market, State and municipal bonds not in excess of market, and United States Government securities.

CURRENT DEBT—Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures, or other funded debts. This item also includes current reserves such as gross reserves for Federal income and excess profit taxes, reserves for contingencies set up for specific purposes, but does not include reserves for depreciation.

FIXED ASSETS—The sum of the cost value of land and the depreciated book values of buildings, leasehold improvements, fixtures, furniture, machinery, tools, and equipment.

FUNDED DEBT—Mortgages, bonds, debentures, gold notes, serial notes, or other obligations with maturity of more than one year from the statement date.

INVENTORY—The sum of raw material, material in process, and finished merchandise. It does not include supplies.

NET PROFITS—Profit after full depreciation on buildings, machinery, equipment, furniture, and other assets of a fixed nature; after reserves for Federal income and excess profit taxes; after reduction in the value of inventory to cost or market, whichever is lower; after charge-offs for bad debts; after miscellaneous reserves and adjustments; but before dividends or withdrawals.

NET SALES—The dollar volume of business transacted for 365 days net after deductions for returns, allowances, discounts from gross sales.

NET SALES TO INVENTORY—The quotient obtained by dividing the annual net sales by the statement inventory. This quotient does not represent the actual physical turnover, which would be determined by reducing the annual net sales to the cost of goods sold, and then dividing the resulting figure by the statement inventory.

NET WORKING CAPITAL—The excess of the current assets over the current debt.

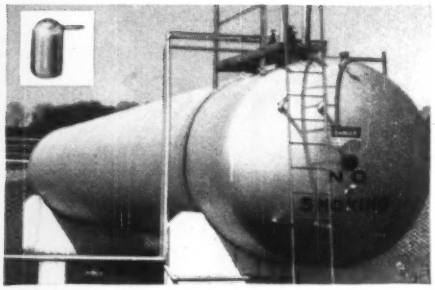
TANGIBLE NET WORTH—The sum of all outstanding preferred or preference stocks (if any) and outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trademarks, patents, copyrights, leaseholds, mailing list, treasury stock, organization expenses, and underwriting discounts and expenses.

TURNOVER OF TANGIBLE NET WORTH—The quotient obtained by dividing annual net sales by tangible net worth.

TURNOVER OF NET WORKING CAPITAL—The quotient obtained by dividing annual net sales by net working capital.

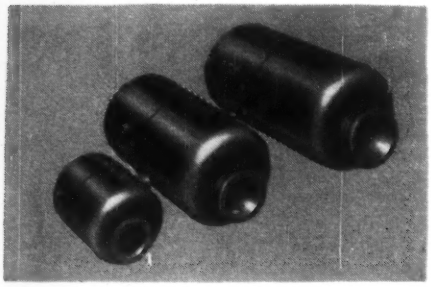
Line of Business (and Number of Businesses)	Current assets to current debt	Net profits on net sales	Net profits on tangible net worth	Net profits on net working capital	Net sales to tangible net worth	Net sales to net working capital	Collection period	Net sales to inventory	Fixed assets to tangible net worth	Current debt to tangible net worth	Total debt to tangible net worth	Inventory to net working capital	Current debt to inventory	Funded debts to net working capital
	Times	Per cent	Per cent	Per cent	Times	Times	Days	Times	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
FOR 24 WHOLESALE LINES—1957 MEDIANS AND QUARTILES														
Automobile Parts & Accessories (175)	4.94	3.27	9.81	14.40	4.89	6.33	27	5.9	6.1	19.5	41.6	69.9	34.3	7.9
	3.15	**2.05**	**6.35**	**9.49**	**3.19**	**4.63**	**34**	**4.5**	**13.1**	**36.2**	**64.9**	**88.6**	**55.8**	**18.9**
	2.19	1.03	3.96	5.08	2.16	3.00	42	3.6	28.2	62.1	94.5	114.6	79.6	32.0
Baked Goods (49)	2.59	3.26	13.83	84.81	7.88	44.66	9	35.5	54.0	17.8	35.5	49.0	100.3	55.2
	1.89	**2.01**	**9.49**	**33.64**	**5.00**	**18.57**	**12**	**25.5**	**69.4**	**27.4**	**57.9**	**73.6**	**144.1**	**106.8**
	1.45	0.73	8.46	8.34	3.15	9.28	23	18.8	87.0	41.9	117.4	123.6	203.7	211.0
Cigars, Cigarettes & Tobacco (85)	3.35	0.72	9.83	15.27	20.00	33.42	14	43.4	5.2	32.1	41.3	51.5	65.9	4.6
	2.21	**0.33**	**4.81**	**6.47**	**13.27**	**17.55**	**17**	**27.0**	**11.8**	**63.5**	**77.5**	**74.0**	**114.5**	**19.6**
	1.63	0.15	1.92	2.60	8.70	12.73	24	16.8	23.8	100.2	122.3	108.1	161.1	36.9
Confectionery (22)	4.96	1.72	14.01	27.48	11.29	12.43	11	22.1	4.0	16.1	11.3	52.8	38.3	3.4
	2.93	**0.95**	**7.22**	**7.79**	**7.99**	**9.64**	**25**	**16.3**	**8.1**	**39.1**	**27.5**	**79.9**	**72.7**	**14.1**
	2.24	0.39	2.14	2.25	4.48	6.74	37	8.4	29.5	67.6	64.9	96.6	105.2	36.5
Drugs & Drug Sundries (69)	3.17	3.11	14.52	19.39	7.75	9.31	20	9.0	5.1	39.4	52.1	70.6	58.0	5.3
	2.42	**2.36**	**10.65**	**11.41**	**5.57**	**6.83**	**31**	**6.6**	**13.0**	**64.0**	**79.5**	**89.2**	**75.6**	**18.6**
	1.92	1.04	6.30	8.14	4.48	5.08	45	5.8	29.0	88.2	118.5	107.8	104.5	30.8
Dry Goods (156)	6.09	2.11	9.17	10.58	6.08	7.42	35	8.0	2.0	15.3	36.0	47.5	34.7	7.7
	3.17	**1.07**	**3.96**	**4.54**	**4.17**	**4.71**	**49**	**6.2**	**4.8**	**38.2**	**61.8**	**68.6**	**65.8**	**17.4**
	2.08	0.40	1.38	1.48	2.85	3.41	62	5.0	9.6	88.6	112.5	96.3	112.1	36.1
Electrical Parts & Supplies (129)	4.20	2.43	10.82	13.25	6.81	8.97	33	8.0	5.7	25.1	50.7	60.3	53.7	6.5
	2.79	**1.29**	**4.85**	**6.26**	**4.60**	**5.86**	**42**	**6.2**	**10.4**	**43.4**	**66.6**	**75.7**	**82.5**	**12.8**
	1.84	0.48	1.66	1.61	3.13	3.72	53	4.7	19.2	90.8	111.6	96.9	118.4	23.8
Fruits & Produce, Fresh (50)	5.15	2.90	21.89	55.55	13.73	27.26	11	86.8	9.3	14.1	47.2	15.6	95.3	16.9
	2.77	**0.60**	**6.67**	**9.02**	**10.25**	**15.80**	**15**	**66.7**	**18.5**	**34.9**	**122.5**	**28.9**	**201.9**	**50.9**
	1.89	0.15	1.11	2.18	5.91	12.07	27	29.8	37.0	81.2	182.5	65.7	331.7	161.3
Furnishings, Men's (31)	5.00	6.20	20.24	25.00	4.38	5.65	25	8.3	2.2	17.5	37.1	49.8	50.1	10.0
	2.76	**2.18**	**6.70**	**8.52**	**2.65**	**3.38**	**43**	**5.1**	**4.0**	**50.8**	**74.1**	**69.9**	**74.0**	**14.9**
	2.26	0.16	0.64	0.69	1.53	2.46	69	3.1	19.0	70.5	111.4	99.7	119.3	24.9
Gasoline, Fuel Oil, & Lubricating Oil (42)	3.63	1.69	13.04	31.10	13.41	22.49	23	54.2	26.4	22.1	45.9	31.7	78.8	12.1
	1.98	**1.03**	**8.62**	**14.00**	**6.23**	**14.07**	**36**	**18.2**	**40.2**	**41.8**	**71.2**	**55.0**	**151.5**	**36.0**
	1.44	0.56	4.24	8.70	3.63	6.98	46	13.7	67.6	114.6	151.6	77.8	268.3	101.2
Groceries (255)	5.06	1.34	12.49	16.97	14.65	17.29	11	14.3	7.7	21.3	61.5	74.1	34.8	10.2
	2.81	**0.72**	**6.79**	**8.51**	**8.57**	**10.71**	**15**	**10.9**	**14.4**	**47.6**	**88.1**	**98.2**	**55.8**	**22.8**
	2.07	0.32	2.94	3.88	6.39	7.75	23	8.1	28.9	77.0	136.2	131.7	79.5	46.5
Hardware (200)	6.23	2.64	7.83	9.66	4.30	5.17	26	5.8	6.9	16.2	33.4	67.5	26.2	8.3
	3.92	**1.47**	**4.39**	**5.43**	**3.02**	**3.62**	**33**	**4.1**	**14.0**	**29.5**	**54.2**	**83.9**	**40.5**	**20.5**
	2.39	0.62	2.74	2.95	2.21	2.64	48	3.2	25.3	56.9	101.1	104.9	70.4	29.9
Hosiery & Underwear (39)	5.81	4.11	17.35	17.67	5.62	6.16	28	8.3	1.1	18.5	....	42.1	38.6	....
	3.58	**0.64**	**2.64**	**2.71**	**4.62**	**4.90**	**43**	**5.2**	**3.7**	**38.2**	**....**	**76.0**	**65.1**	**....**
	2.12	0.28	0.74	1.37	2.57	3.61	61	4.2	15.0	60.9	....	100.8	89.7	....
Household Appliances, Electrical (100)	3.60	1.61	8.08	9.49	7.71	8.80	31	11.2	4.5	29.3	82.3	63.4	62.4	11.4
	2.18	**0.82**	**5.02**	**5.67**	**5.91**	**6.32**	**40**	**6.5**	**9.5**	**74.6**	**103.9**	**91.5**	**89.6**	**22.3**
	1.67	0.26	1.87	2.61	3.62	4.47	52	5.2	21.3	114.3	164.6	125.6	115.5	39.7
Iron & Steel Sheets, Strips, Bars & Plates (60)	5.88	4.46	19.19	26.71	5.25	7.89	24	11.1	10.2	14.2	41.8	58.4	33.1	15.8
	3.55	**2.68**	**7.75**	**12.78**	**3.27**	**4.38**	**32**	**5.7**	**23.1**	**29.0**	**71.3**	**82.1**	**50.9**	**23.8**
	2.41	0.80	3.93	5.53	2.36	2.75	40	3.2	38.6	60.4	114.0	110.1	81.5	40.5
Lumber (91)	7.35	2.95	12.01	13.47	6.90	23.43	37	18.4	3.3	10.7	46.8	27.3	38.0	13.7
	3.49	**1.39**	**6.93**	**8.87**	**4.98**	**7.25**	**42**	**7.6**	**10.8**	**28.9**	**91.5**	**66.6**	**75.9**	**34.7**
	1.90	0.23	1.22	1.29	3.21	4.12	56	3.9	21.6	85.8	134.3	95.8	179.4	83.9
Lumber & Building Materials (87)	6.16	3.04	6.92	7.99	4.80	6.33	29	8.6	10.2	13.9	35.8	55.2	30.1	7.8
	3.36	**1.30**	**3.46**	**4.57**	**3.37**	**4.92**	**43**	**5.2**	**20.4**	**30.8**	**63.1**	**70.2**	**63.2**	**23.7**
	2.21	0.19	0.73	0.81	2.22	2.69	58	3.6	34.1	62.9	104.7	93.1	98.6	39.4
Meat and Poultry (39)	4.01	1.60	14.13	25.25	14.96	34.37	10	75.2	9.8	19.2	23.6	27.6	94.7	11.6
	2.29	**0.77**	**7.36**	**15.25**	**9.51**	**19.77**	**17**	**38.1**	**22.8**	**57.7**	**58.1**	**54.3**	**131.4**	**33.8**
	1.70	0.17	1.61	2.74	4.85	7.41	26	19.3	48.4	96.7	111.0	82.8	204.1	50.2
Paints, Varnishes & Lacquers (32)	5.01	4.04	17.96	25.27	4.61	5.10	34	8.7	7.6	18.7	30.2	63.6	33.7	5.6
	3.44	**2.32**	**6.72**	**7.61**	**3.30**	**3.69**	**42**	**5.8**	**17.9**	**33.6**	**45.3**	**76.8**	**60.1**	**26.2**
	2.44	1.13	4.81	3.11	2.26	2.84	57	3.7	32.9	61.8	61.3	90.3	89.8	34.1
Paper (133)	4.21	1.85	9.25	12.55	7.82	10.21	25	11.6	4.4	23.9	45.5	56.8	43.9	11.5
	2.99	**1.19**	**6.21**	**7.51**	**5.04**	**6.37**	**32**	**7.8**	**10.9**	**42.9**	**68.6**	**79.5**	**75.8**	**18.7**
	1.97	0.51	3.18	4.81	3.99	5.09	42	6.4	24.7	85.4	103.1	95.3	114.3	33.3
Plumbing & Heating Supplies (156)	6.07	1.91	7.15	9.54	4.87	5.80	33	8.7	6.9	15.8	29.5	59.1	31.0	5.1
	3.45	**1.09**	**3.86**	**4.43**	**3.72**	**4.38**	**45**	**5.9**	**14.7**	**30.6**	**59.2**	**77.2**	**47.9**	**16.7**
	2.36	0.45	1.84	2.42	2.70	3.28	57	4.1	25.0	57.3	96.6	103.1	75.3	32.8
Shoes, Men's, Women's & Children's (54)	3.81	1.64	7.64	10.31	6.89	7.65	48	9.0	1.3	30.6	42.7	53.2	60.0	12.5
	2.15	**0.64**	**1.94**	**4.27**	**4.07**	**4.61**	**53**	**7.6**	**4.6**	**72.4**	**101.8**	**69.3**	**105.9**	**17.6**
	1.75	0.13	0.62	0.75	2.72	3.18	68	4.0	8.3	105.0	197.9	101.8	141.6	26.9
Wines & Liquors (44)	3.71	1.96	10.55	15.00	7.69	11.25	13	15.2	4.9	27.2	72.9	70.0	48.0	6.0
	2.12	**1.05**	**7.02**	**9.26**	**5.74**	**8.51**	**28**	**6.9**	**14.6**	**62.4**	**130.9**	**88.2**	**90.6**	**13.7**
	1.64	0.57	3.43	5.40	3.83	5.47	51	4.9	32.5	125.6	141.4	130.1	145.7	29.6
Womenswear, Coats, Suits & Dresses (32)	3.62	4.12	13.84	20.74	6.56	7.63	33	15.2	1.6	21.4	44.3	23.7	80.8	15.2
	2.57	**0.35**	**1.44**	**1.67**	**4.12**	**5.67**	**58**	**7.4**	**7.1**	**51.9**	**113.8**	**43.9**	**155.7**	**41.5**
	1.88	0.97†	6.11†	7.37†	2.12	3.05	68	5.1	16.4	79.3	244.9	92.8	221.6	66.9
†Loss	**WHOLESALE GROCERS, BY SIZE (TANGIBLE NET WORTH) CLASSES—MEDIANS ONLY**													
1957 Under $200,000	**2.56**	**0.43**	**4.62**	**5.59**	**8.26**	**9.62**	**15**	**9.6**	**11.6**	**54.3**	**105.6**	**107.2**	**60.8**	**15.8**
1957 $200,000–$500,000	**3.27**	**0.92**	**6.88**	**8.71**	**7.56**	**10.90**	**15**	**10.2**	**13.6**	**35.2**	**80.0**	**93.9**	**51.1**	**25.0**
1957 Over $500,000	**2.67**	**0.71**	**8.17**	**11.65**	**13.32**	**17.29**	**15**	**12.8**	**16.6**	**50.1**	**87.3**	**100.1**	**58.4**	**24.5**

▲ **Over-the-Shoulder View of Welder at Work.** A welder in our Downingtown Iron Works Division makes a weld on the aluminum shell of a 54" O.D. heat exchanger. At Downingtown, many exacting procedures have been developed for welding aluminum; carbon steel; various types of stainless steel; stainless, nickel and Monel clad steel; and numerous alloys.

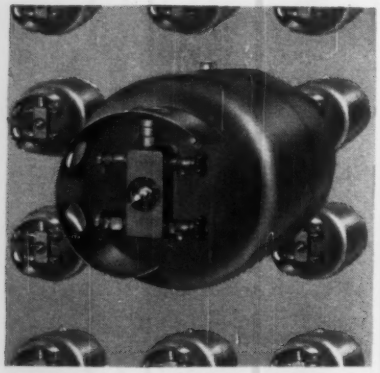


▲ **LP-Gas Containers from One Pound to 30,000 Gallons.** This Hackney statement quickly sums up the completeness of Hackney service to the LP-Gas industry. The larger photo shows a 30,000-gallon LP-Gas storage tank in use. The tiny one-pound cylinder (inset) fuels a plumber's torch.

Airing a Hackney Family Affair. These strong, lightweight, steel air receivers are popular members of the Hackney family of quality products. They are made by the Hackney cold drawn process, and have only *one* welded circumferential joint. Thousands are used in original equipment manufacture. ▼

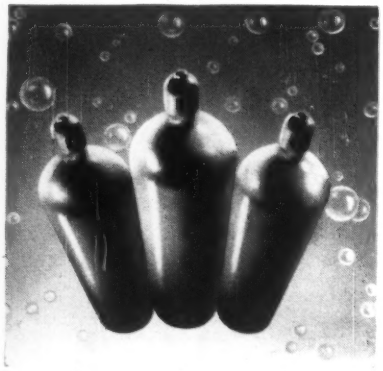


Changing views of never-changing Hackney standards of quality



Hackney Quality Down on the Farm. Smooth power, fewer lube oil changes, less engine maintenance, and, frequently, lower fuel costs. Farmers find these are the big advantages of using LP-Gas to fuel their tractors. Above are Hackney LP-Gas fuel tanks as supplied to leading tractor manufacturers.

The Miracle of Stainless Steel provides protection against contamination for the safe shipment of miracle chemicals. Hackney stainless steel drums are lightweight and sturdy returnable shipping containers. Have seamless chimes and smooth interiors that are easily cleaned between shipments.



Light, Lissome and Long-Lived! Hackney deep drawn cylinders for high pressure service are lightweight, smooth-surfaced, pass all safety tests, and lead long, economical lives. Used for shipping such compressed gases as oxygen, hydrogen, nitrogen, helium, argon, carbon dioxide, and liquid chlorine.

Pressed Steel Tank Company, 1465 S. 66th St., Milwaukee 14, Wis.

Pressed Steel Downingtown

Hackney MILWAUKEE — DOWNINGTOWN IRON WORKS

Manufacturer of Hackney Containers for Gases, Liquids and Solids

Heat Transfer Equipment
Steel and Alloy Plate Fabrication

"Solved one of our worst personnel problems!"

"We only get out five mailings a year—but in a small office like this, those mailings used to murder us! We had to take girls off their regular jobs, use bookkeepers and even salesmen to stuff envelopes. It raised cain with our work, and it took a week to get things back to normal. That small Pitney-Bowes Folding & Inserting Machine was a lifesaver around here—and paid for itself in no time."

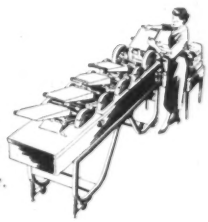
The new Model 3300-FH, a low-cost unit designed for the smaller office, folds and inserts in envelopes single enclosures at speeds up to 4,000 an hour. It handles practically anything—checks, letters, cards, invoices, bulletins, even sheets stapled together. Multiple enclosures are taken care of by extra runs through the machine. It does away with costly hand folding and inserting.

It is set without tools and is so easy to operate, any girl can learn to use it in minutes. Has automatic feed. Automatic stoppage for faults prevents jamming or tearing.

The "3300-FH" is so convenient, such a work saver, and disposes of mailings so rapidly . . . that even with only occasional use it shows worthwhile savings in any office. And it permits far wider use of the mails to promote your product or service. Call the nearest Pitney-Bowes office for details. Or send coupon for free illustrated literature, and "case studies".

The "3300" (shown with Pitney-Bowes FH folding machine) combines with any PB folder, or can be used by itself as an inserter.

FREE: *Handy Desk or wall chart of new postal rates with parcel post map and zone finder.*



Model 3100, *with six optional stations, inserts up to six enclosures at speeds to 6,000 an hour. Offers optional hookup with a PB postage meter mailing machine.*

Other advantages of the 3300-FH

- *Only nationally sold and serviced* combined *folder and inserter on the market.*
- *The 3300, as an inserter by itself, is the lowest priced inserter available.*
- *Handles enclosure sizes (after folding) up to 8⅞ by 5½ inches.*
- *Automatic feed with continuous load, stops to prevent jamming or tearing.*

PITNEY-BOWES Folding & Inserting Machines

Made by the originator of the postage meter . . . 107 offices in the U.S. and Canada, with nationwide service coast to coast.

PITNEY-BOWES, INC.
1560 Crosby St., Stamford, Conn.

Send free ☐ *illustrated booklet and case studies on PB Folding & Inserting Machines;*
☐ *Postal Rate Chart.*

Name _____

Address _____

Now! Easier to clean oven...plated with Nickel under chrome

Women have a warm spot in their hearts for the manufacturer of this new oven.

He offers them an oven that's easier to clean, an oven that assures even baking . . . an oven with a lustrous chrome interior that will *stay* bright and gleaming.

Tough, durable Nickel plating is used underneath the chrome to protect it from nicks and scratches. To keep the base metals from corroding. To provide a smooth, bright-metal foundation for a mirror-smooth, easier-to-clean finish.

Nickel plating under chrome can help you sell your products, too. Use it as an accent to styling. As a way to enhance colors, snap-up product appearance . . . to give your products a "come-buy-me" look. Its durability and easy-to-clean surface can help you earn a warm spot in your customer's heart.

For more information on how Nickel plating can help you, Mr. Manufacturer . . . write for "Practical Answers to 40 Practical Questions about Nickel Plating". The International Nickel Company, Inc., New York 5, N. Y., Dept. 182G.

INCO **Inco Nickel**

makes metals perform better, longer

Nickel plating . . . under chromium . . . over steel: that's how a quality finish is built up. Chromium gives you gleaming beauty. Nickel makes the beauty last. And lasting beauty can help sell your product. ©1958, T.I.N.Co., Inc.

R&D Budgets Still Climbing

ALSO: ***Mechanized Warehousing; Facts on Rival Plastics***

CONTINUING a long-term trend, research and development budgets for 1958 are up 4 per cent over last year, despite the now receding recession. However, the increase was not uniform, and six industries out of 24 showed a decline, according to an American Management Association survey of 800 companies.

Among the gainers, fourteen manufacturers of transportation equipment reported the greatest average increase in R&D budgets, 26 per cent. Nine makers of construction machinery reported the greatest decline—15 per cent, on the average. The largest group surveyed, 209 companies in the chemical industry, averaged a 10 per cent gain. Among all the companies surveyed, the R&D budget averaged 2.8 per cent of sales, ranging from 5.2 per cent in the instruments industry to 1 per cent in the steel, oil, and paper industries.

Effortless Order Picking

Taking advantage of a move to a new plant in Parsippanny, N.J., the Pacquin-Leeming Corp. specified a new warehousing and order-picking scheme that cut space requirements from 9,600 to 2,800 square feet, reduced personnel, and resulted in greater accuracy. Two order pickers now stand between the gravity-feed carton racks on one side and "Palletflo" racks on other, with conveyers running down the middle (see photo below). The equipment was constructed by the M-H Standard Corp., Jersey City, N.J.

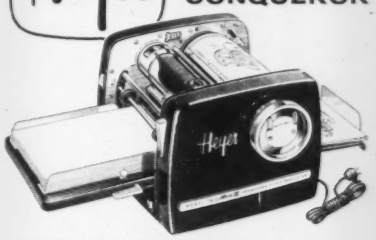
The order picker just slides the correct cartons off the racks and pallets on to the conveyer, which takes them to a pallet at the truck loading dock. When a pallet is empty, a lever mechanism drops it under the Palletflo rail back to the rear (see photo, page 54). The same fork-lift trucks that load the Palletflo from the rear then return the empty pallets to the factory floor for reloading.

At the former plant, loaded pallets were arranged on the floor of the older, much larger warehousing area. To fill an order, order pickers walked an average of 110 feet, compared with the 25 feet now required. The new system

ORDERLY ORDER PICKING: A compact, gravity-fed order-picking system has cut space needs by more than two-thirds and upped efficiency at new Pacquin-Leeming plant.

NOW . . . in duplicating THE BEST COSTS THE LEAST

Heyer NEW Model 76A Mark III® CONQUEROR



PUSH-BUTTON ELECTRIC SPIRIT DUPLICATOR WITH

Improved Features

AT LOWEST PRICES EVER

1493 Authorized Dealers across the U. S. A. and Canada offer these amazing new Conquerors . . . now better than ever with these important operating improvements, the result of Heyer's 55 years of duplicator know-how:

New Feed Table Advanced design eliminates side rubbers and tricky adjustments.

Improved Counter . . . direct drive — greater accuracy, top visibility, easy to re-set.

Adjustable Feed Wheels grip paper at outer edges, give positive performance.

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Many other outstanding features such as Copy Positioner Control, Nylon Gears, Visible Fluid Supply, Sure Fluid Control (no pumps), and Automatic Start-Stop on electric Conquerors offer a combination that's unmatched. Don't confuse them with photocopy machines . . . Conqueror Duplicators print 110 clear, sharp copies *per minute* . . . in 1 to 5 colors *at once* . . . of anything typed, drawn or written on a spirit master . . . *at a fraction of a cent per copy!*

MODEL 76 —Hand Operated with all features except electric drive **$214.50***

MODEL 76A-Electric, Automatic Start-Stop (illustrated) **$299.50***

MODEL 76B-Automatic Electric with 11" and 14" cylinder stop selector **$324.50***

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At the time of shipping, you create an account receivable . . . and unless you have credit insurance . . . your insurance protection ceases. You lose control of the asset because title of the merchandise has passed. It is sound to insure your product while you own it . . . it is equally sound to insure it when your customer owns it . . . and owes *you* for it. Aggressive executives, through American Credit Insurance, continue protection of their working capital and profits invested in receivables. It is an important tool for constructive credit management. Our booklet on the many ways credit insurance contributes to financial security and sales progress should interest *you*. Write AMERICAN CREDIT INDEMNITY CO. of New York, Dept. 50, 300 St. Paul Place, Baltimore 2, Maryland.

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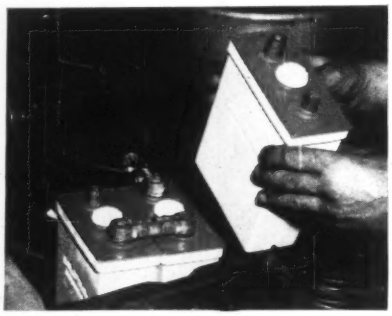
FEEDBACK: Order picker returns empty pallet to rear of rack by easy operation of lever. This cuts out handling of heavy pallets, makes for safer operations.

is expected to pay off the equipment investment in about two years.

Polyethylene vs. Polypropylene

No sooner had high-density polyethylene entered the plastics market than a new rival, polypropylene, appeared. High-density polyethylene has better high-temperature characteristics than the low-density form, but polypropylene stands heat even better.

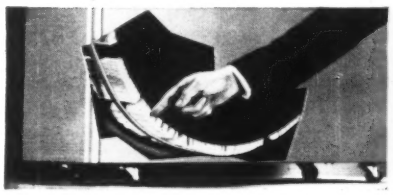
Since propylene and ethylene cost about the same, polyethylene users may soon be able to buy polypropylene at a comparable price. A recent study by a Harvard Business School research group—"Linear Polyethylene and Polypropylene: Problems and Opportunities"—gives an extensive comparison. It is available for $13.50 from Polymer Associates, 6613 Wenonga Road, Kansas City, Mo. —M. M.



COST-CUTTING BATTERY: When two of the many plates in a conventional storage battery short out, the entire battery must be replaced. In the new Cellomatic battery, only the section containing the defective plates is discarded, offering real savings opportunities to truck-fleet operators and factories with many electric fork-lift trucks.

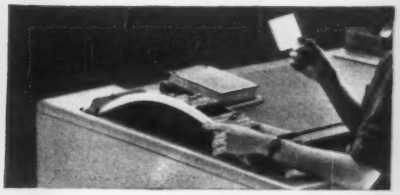
How to spot Johnson, Fred R. in 1½ seconds

NEW MOSLER REVO-FILE gives you personnel facts fast...obsoletes all other card files



No fall out! Exclusive patented Revo-File belt keeps cards perfectly in place, protects against wear. If you have 2,500 or more cards, Revo-File is for you.

No attachments! No hole punching! Cards not attached to drum. Just drop your present cards into Revo-File.



No effort! Cards come to clerks with spin of drum. Revo-File available in manual and automatic electric models.

New Mosler Revo-File is the *unique* rotary active-card file. It's the *only* rotary card file that: cuts reference time to 1½ seconds; contains 5 times as many cards as other systems hold in the same space; reduces all finding locations to just one; eliminates changeover costs. Now there's no more tugging, toting, flap-flipping or pulling...Revo-File is *modern*...clerks work while comfortably seated. And remember, one quick spin of the Revo-File drum gives you *the* card you want...in just 1½ seconds. For further information, send coupon today.

NEW **MOSLER** REVO-FILE

...the modern rotary card file...another fine product of
The Mosler Safe Co., 320 Fifth Avenue, New York 1, N.Y.

REVO-FILE DIVISION • THE MOSLER SAFE CO.
Department DR-1158, 320 Fifth Avenue, New York 1, N. Y.

Gentlemen: I have 2,500 or more cards and—

☐ I am interested in additional information on Mosler Revo-File.

☐ I am interested in a free 30-day office trial of Mosler Revo-File.

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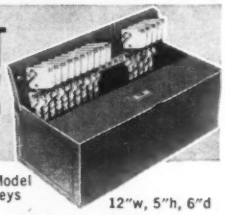

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12"w, 5"h, 6"d

KEY-DRAWER

fits desk drawers and file cabinets

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WHITE-COLLAR PAY

continued from page 43

shop than in the office. Thus, a plant employee may have won a higher pay scale than his office colleague, but if he isn't working or is only working part-time, he is not so well off as the salaried office worker who is kept on the payroll, albeit with a smaller increase.

The BLS statistics seem to bear out the boast of the factory workers' unions that they have continued (with one large, notable exception) to wangle increases out of employers, despite a poor business year and the consequent profit squeeze, although the increases are generally lower than they had been in other recent years.

Organizing drives lose steam

Office workers' unions, whether the Office Employees International Union or white-collar divisions of the factory workers' unions, have continued in the past year to win elections and sign contracts, especially in industrial and large commercial units, and in a number of cases have won goodly increases in pay or fringe benefits or both. This may be because, in so many cases, they are negotiating initial contracts while the factory employees have been to the well many times before.

However, the concern about unionization which seemed to grip many personnel men in charge of large central-office groups of office workers appears to have eased. The big unions are still talking up their white-collar drives, but as one industrial relations man pointed out, they don't have the forces they had two years ago to carry on the drives. The AFL-CIO, itself affected by the recession and lacking the substantial portion of its income which came from unions it has ousted on the grounds of corruption, has had to cut its forces. The United Auto Workers has even cut officials' pay, while a substantial part of its membership has been unemployed.

With the current promise of an end to the recession and a return to what has become a normal continuing economic upswing, the unions next year may return to this field with the full vigor they promised in outlining their plans in early 1957.

One other problem concerning office workers has begun to attract more attention in the past year and is due for increasing attention in the future. That is the matter of job classifications and appropriate salaries in the field of data processing, where jobs are new, titles for a given job vary almost from installation to installation, and salaries are all over the lot. Only a feeble start has been made at exchange of information and rationalization in this situation.

—ALFRED G. LARKE

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solve them all quickly and economically

Years ago, it would have been a long, costly job to plan and erect a building with all the quality features found in the Butler building above.

But today, thanks to pre-engineering and precision-fabrication, Butler buildings like this are the fastest—and lowest-cost—way to build well.

Pre-engineered Butler components meet standard building codes. Precision-made, they fit perfectly—permit fast erection. Weeks—even months—of costly planning and construction time are eliminated.

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Interior (top picture), Marsh Steel, Denver, Colorado, photographed in natural daylight admitted by Butler Lite*Panls in roof. *Exterior,* The Barber Colman Co., Milton Junction, Wisconsin.

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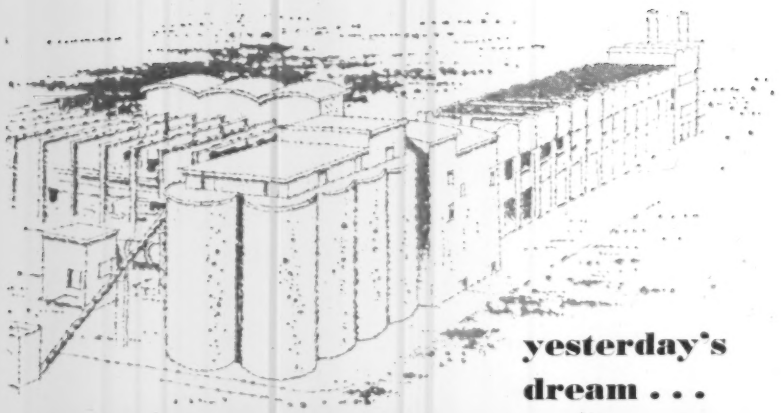
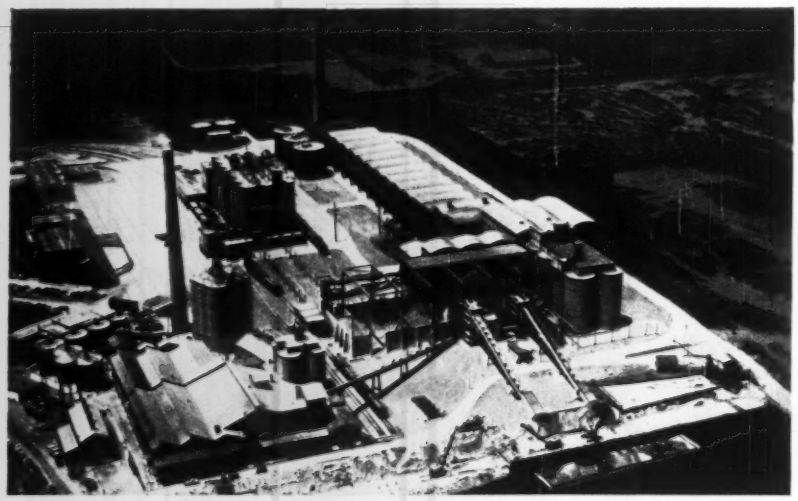


yesterday's dream . . .



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15 Plants and 4 Terminals Serving Some of the Most Rapidly Growing Areas of the Nation

MARKETS ON THE WAY

continued from page 38

Many economists believe that rapid population growth is a drag on rising levels of living, even in the United States.

However, President Eisenhower—in his 1958 Economic Report to Congress—takes the opposite view. He states:

The vigorous postwar growth of population is a basic and powerful force making for expansion in the American economy. Our numbers are increasing by some 3 million a year, and there is no reason to doubt a strong uptrend in the next quarter century. In our economy, an increase in population continues to mean new and enlarged markets for output. Over the last two decades, per capita consumption has increased by more than 50 per cent, in spite of changes in the age composition of the population which have tended to lower basic needs per capita for consumer goods. After this year or the next, the number in the group aged 12 to 19, whose needs and wants are much greater than those of young children, will increase substantially for a decade or more.

The growth and changed age distribution of our population will require greatly expanded private facilities for the production, transportation, and distribution of goods and for services of many kinds, including education. The capital assets normally provided by Government must at least keep pace, and the expansion of some types of public assets will have to be at a faster rate to reduce backlogs and to supply services that will be required in especially increased amounts. The clearly indicated need for enlargement of the capacity of our public schools, colleges, and universities is a case in point. Large and growing sums will be spent by state and local governments to provide needed educational and other facilities and services. Large public and private outlays will also be required to develop and conserve our water, land, forest, mineral, and energy resources. Major undertakings have been launched in many cities, with Federal aid looking to the renewal of urban area, and many more are in the planning stages. State and local outlays have been rising at the rate of $3 billion a year, and something like this rate of increase must continue, to keep pace with growing requirements.

The President's analysis points up the reasons Malthus's doctrine does not apply to the United States—at least for the present and foreseeable future. The demands made by our increase in population can be readily met by our productive capacity—and financed by the large amount of private capital and Government credit available. Thus, population growth is a dynamic positive factor. But it can be a disaster in backward areas with no accumulated capital and easily expandable production.

So, in the United States, more population means more markets—more marketing opportunities for alert businesses.

Raymond Fisher, director of sales research for Continental Can, points out

get all 5 advantages when you fleet lease from the leader!

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releases capital for inventory,
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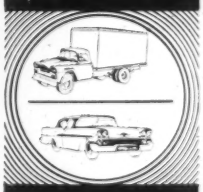

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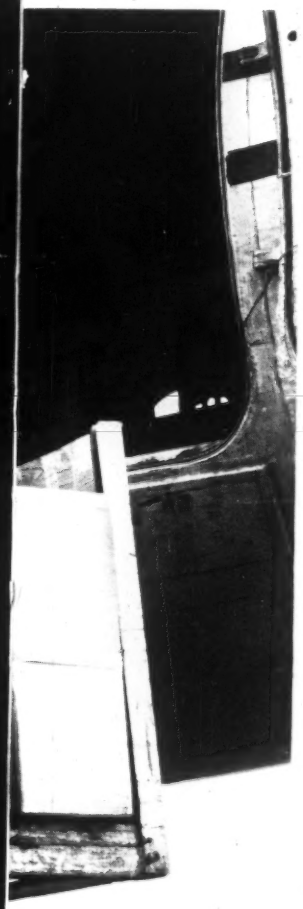

Specially designed system provides mile-by-mile progress reports on each shipment.

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Selecting a plant site involves everything from topographical surveys to tax analyses. That is why, when you plan your move, we urge you to recruit the manifold services of North Western. Here at your call are experts in engineering, construction, geology, transportation, real estate, law, taxation, marketing, public relations. In fact, every phase of site selection is covered by men trained in a specific field. We feel that only in that way can you be certain that the information delivered will be factual, accurate and up-to-the-minute.

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that in 1900 there were about 90 domestic servants per 1,000 U.S. families. Today, there are only about 30. But the number of married women working has increased many fold—tripling in the span between 1930 and 1955. "All these facts," says Mr. Fisher, "add up to a tremendous need for products that are convenient, either in the sense that they save time or that they save work in the home. What's more, the public that has demanded these products has been perfectly willing and able to pay more money to those who provide them."

Products that didn't exist ten years ago now account for about one-third of all food store sales, according to Grocery Manufacturers of America President Paul Willis. He says that food manufacturers today spend about $100 million a year on product and market research. They employ about 6,400 scientists and technicians to develop new and improved food products. And Willis predicts that ten years from now 50 per cent of all food sales will be in products not on the market today.

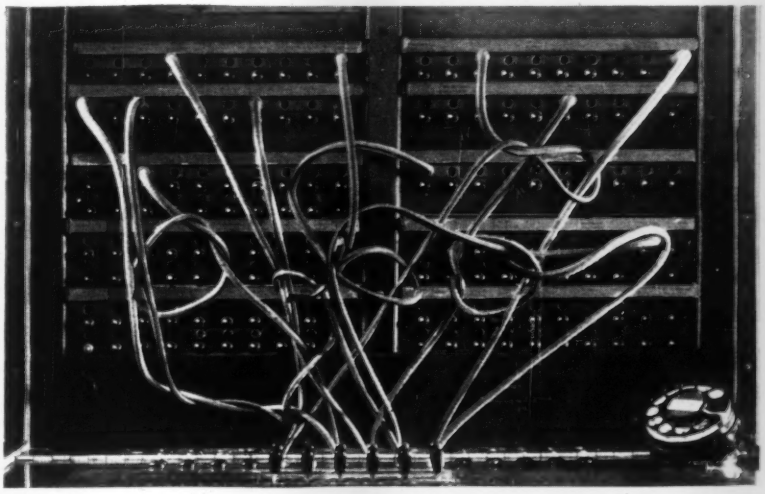
THE AUTHOR • A frequent contributor to such magazines as *Coronet*, *Pageant* and *Printer's Ink*, Herbert C. Rosenthal began his career as a trade paper editor. He is now director of Graphics Institute, which he founded in 1944 and which produces graphically illustrated booklets, employee manuals, annual reports, presentations, and the like. A Columbia College graduate, Mr. Rosenthal is also co-author of several books, including *A Visual History of the United States*.

Food manufacturers are not the only ones reaping benefits from new products. According to the management consulting firm of Booz, Allen & Hamilton, half our industries expect 80 per cent or more of their sales growth by 1960 to come from products not sold in 1956.

In the same area, Samuel G. Barton, head of the Market Research Corporation of America, estimated that one-third of General Foods' sales are of products introduced in the last ten years. Barton also states that 30–40 per cent of Dow's and Monsanto's sales volume is in products developed through research in the last ten years. And the Standard Oil Company of New Jersey estimates, according to Barton, that every dollar invested in research will return five.

The companies meeting with outstanding success today are the ones who have planned ahead to meet today's expanding markets with the proper products, the proper distribution, and the proper sales effort. Armed with the facts, you can draw a profitable bead on tomorrow's markets. END

YOUR COMMUNICATION PROBLEM IS INTERNAL!



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PRESIDENTS AND BOARDS
continued from page 42

the board wants to know more than it has been told, it can ask. Many presidents let the division of responsibility be settled in informal give-and-take, which probably comes easy to men in a continuing association dedicated to the growth and profitability of a company entrusted to their temporary keeping.

Guidance without intervention

Keeping open the communications channels between the board and themselves, presidents report, is the best single way of assuring maximum guidance and counsel from the boards, with minimum interference in company management. Frequently, such communication occurs between meetings, by telephone contact and personal visit, at lunch, and by letter. These activities, sometimes referred to as the "care and feeding" of the board, may take up to a quarter of some presidents' time. Many more devote only a few days a month to these contacts—or, most commonly of all, even less time.

Of course, where the president and chairman or chief executive officer are different men, a larger share of such duties generally falls to the lot of the chairman, leaving the president comparatively free. And in the few family companies or those which have predominantly inside boards, the problem doesn't come up. But other problems may. One president with an exclusively inside board has this to say: "It is only natural, when directors are working together in a business where they are physically able to see each other daily, that discussions . . . occur daily. Actually, I suppose a great deal of time is taken up—a lot of it being due to that human characteristic of wanting to talk to the president either to get him to solve a problem or, more frequently, to keep him acquainted with what is going on in this or that department. I would not attempt to put down any number of hours, but would say that it takes a great deal of time, most of which I consider well spent and profitable."

Among the presidents who cultivate between-meeting contacts with outside board members, how much time they spend at it often depends on the importance of matters under current consideration. In addition to continual informal communication between board members and chief operating officers, many presidents make extra use of their boards by privately consulting individual members with specialized knowledge or talents, tapping them for board committee service and special projects, or, sometimes, using them as formally hired consultants. Criticism and comment,

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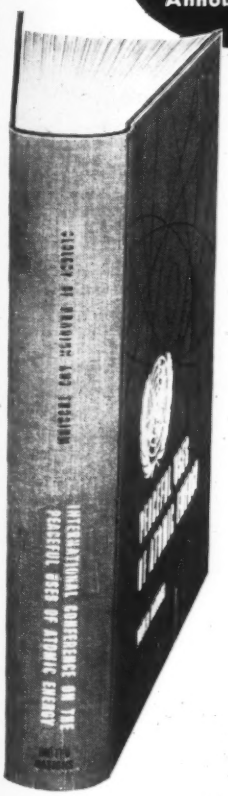

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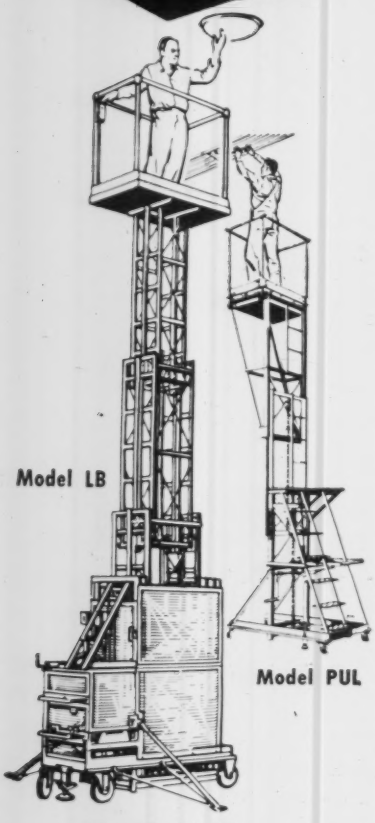

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say most presidents, is solicited and welcome.

The consensus is that management gets maximum board guidance with minimum interference by frequent individual contact, frank disclosure of all data, and sharply focused agenda—prepared and submitted well in advance of meeting dates. (For specific comments, see box on page 41.)

Profile of the Panel's board

Reporting to the board as president is often only one of several multiple roles the top company executive plays. He may be chairman of his own board as well—and is, in about 40 per cent of the Panel companies. Another 6 per cent of the presidents volunteer the information that their boards have no chairman. In such cases, the president may preside at board meetings.

And he may be a director too. In large industrial companies typical of those on the DR&MI Panel, the chief executive is frequently a director in "numerous subsidiaries." He holds directorships in outside companies less often—in fact, one out of five panelists holds no outside directorships at all. Another three out of five men serve as directors on the boards of fewer than four other corporations. And the rest serve as directors of anywhere from four or five other companies (12 per cent of the Panel) up to twelve other companies (in a few exceptional instances).

The president's board may have as few as five or as many as 23 directors, but is most likely to be composed of twelve. The National Industrial Conference Board, which conducts studies of boards every three years, has repeatedly pointed out that board size tends to vary with the size of the company. This pattern is confirmed by the current DR&MI survey findings, and results in a rather interesting table of comparisons. It should be kept in mind that the Conference Board is dealing with a sample more than twice the size of DR&MI's, but that the size of the average *company* on the Panel is probably much larger than in the NICB group:

Number of board members	Percentage of companies NICB-1956	DR&MI-1958
3	1.2	—
4	0.6	—
5	9.3	1.0
6	4.8	2.1
7	16.6	7.2
8	4.5	3.1
9	14.7	19.6
10	4.8	2.1
11	10.8	11.3
12	10.8	7.2
13	3.6	14.4
14	5.4	5.2
15	5.7	11.3
16–20	6.0	13.4
21–30	1.2	2.1

THE PRESIDENTS PICTURED ON THESE PAGES AND ON PAGES 41 AND 42 ARE MEMBERS OF DR&MI'S PRESIDENTS' PANEL. A COMPLETE LIST OF PANELISTS APPEARS ON PAGE 64.

L. B. Smith
A. O. Smith Corporation

Bowman Gray
R. J. Reynolds Tobacco Company

Oscar G. Mayer, Jr.
Oscar Mayer & Co.

Guy S. Peppiatt
Federal-Mogul-Bower Bearings, Inc.

F. Nelson Bridgham
Strathmore Paper Co.

D. L. Kroehler
Kroehler Manufacturing Co.

Robert B. Pamplin
Georgia-Pacific Corporation

Edgar M. Bronfman
Joseph E. Seagram & Sons, Inc.

William E. Blewett, Jr.
Newport News Shipbuilding & Dry Dock Co.

Hayden B. Kline
Industrial Rayon Corporation

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SKF Industries, Inc.

Seymour J. Phillips
Phillips-Van Heusen Corporation

J. L. Atwood
North American Aviation, Inc.

John W. Scallan
Pullman-Standard Car Manufacturing Co.

Paul Erdacott
Phillips Petroleum Co.

E. J. O'Leary
The Ruberoid Co.

Dean E. Wooldridge
Ramo-Wooldridge Corporation

Roy W. Moore, Jr.
Canada Dry Corporation

William H. Chisholm
Oxford Paper Co.

J. C. Donnell II
The Ohio Oil Co.

Carl R. Megowen
Owens-Illinois Glass Co.

Like the Conference Board studies, the DR&MI survey reveals a fairly even split between inside and outside directors, with outside majorities slightly predominating. Very few companies reporting have boards made up exclusively of inside directors, while many companies' boards are structured to provide a comfortable, or occasionally a substantial, majority of outside directors.

Most of the Panel regard the actual balance of membership that exists in their present boards as ideal. And their supporting arguments, reflecting the varying composition of their boards, run a wide gamut. Most of the arguments are familiar. Advocates of the inside board say it knows the business better and can meet whenever necessary. Critics claim that insiders cannot appraise their own stewardship, as trustees of the stockholders, without in effect rubber-stamping on one day "their own action during the other 29 or 30 days"—in the words of E. Everett Smith of McKinsey & Company. Insiders also may become ingrown, reluctant to criticize or question a colleague or operating boss. Predominantly outside boards, some presidents point out, offer a fresh viewpoint and unbiased appraisal, and may if necessary question and criticize management without fear of reprisal. (For actual quotations of Panel views, see box on page 70.)

Balancing the board for maximum effectiveness, of course, involves a good deal more than creating some arbitrarily desirable ratio between insiders and outsiders. More fundamentally it involves, as many panelists observe, a subtler, selective balance—of men with particular attributes of knowledge, experience, talent, and judgment, who will add up to something more than a blind, bland ratifying body. The presidents substantially agree that an effort should be made to have at least three categories of individuals represented on the board—management, finance, and shareowners, in that order. Technical experts and former officers are also often sought as directors. But women (who, according to a recent N.Y. Stock Exchange—Alfred Politz Research Inc. survey, for the first time now outnumber male shareowners 52 to 48 per cent) are sought after as directors by only 3 per cent of the responding DR&MI companies. (For a full rundown of categories, see box on page 74.)

Should directors own stock?

What constitutes a "substantial" stockholder is difficult to define exactly. Obviously, a fraction of 1 per cent of the shares of Du Pont or General Motors can be a more "substantial" holding than a much larger percentage of a smaller company's share. But defini-

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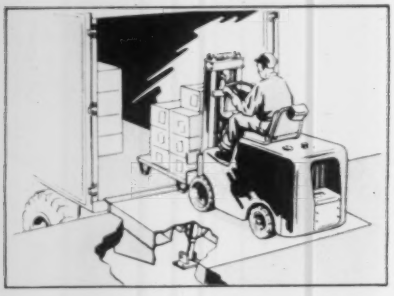

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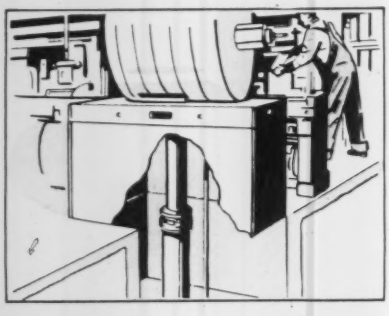

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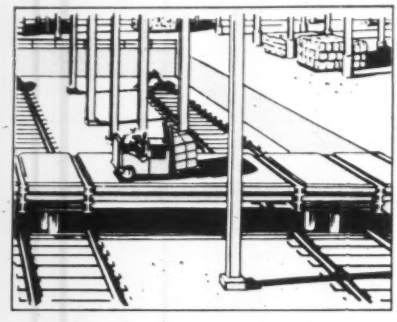

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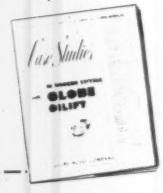
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tions aside, these presidents report that four out of every ten directors on their boards are "substantial" stockholders.

Should every director hold some stock in the company on whose board he sits? On this question, company presidents cast their votes as follows: 84 per cent, *yes;* 11 per cent, *not necessarily;* 5 per cent, *no*. But those in favor, for the most part, do not consider the size of the holdings as important as the mere fact of ownership, which they say is advisable to obviate stockholder criticism. A good many presidents feel that a director should be "sufficiently enthusiastic about the future of the business whose destiny he helps direct to want to own stock."

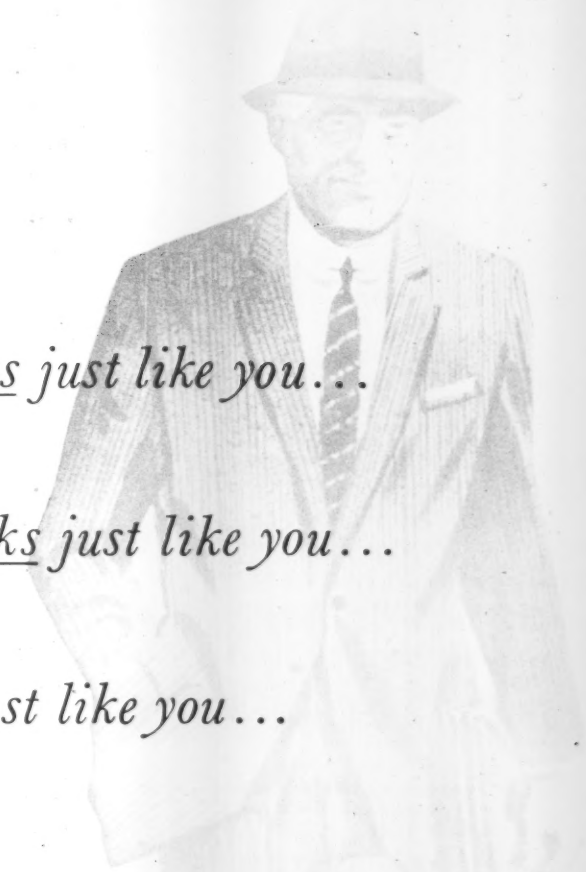
Among the minority of panelists who argue that no stock ownership is necessary for directors, this is the most detailed reason given: "To get young men or men with the type of experience needed for some particular phase of the business, we would be limited in selection if we expected them to buy stock in the company. We want the best men available."

Similar reasoning prevails among presidents who consider stock ownership desirable but not obligatory for directors. The question, say many men, is "subject to too many arguments on each side. Personally, I do not care, as long as directors show a real interest in the company." Says another president who is against any rigid stock ownership requirements: "A director is elected to aid and guide the destiny and future of the company. He serves in a judiciary capacity insofar as shareholders are concerned. I believe the stock ownership angle is archaic."

What Panel opinion adds up to, fundamentally, is this: If the shareholders expect directors to be shareholders too, it is advisable for directors at least to hold token shares. But share-ownership by directors is most desirable when it is a symbol of interest and personal belief in the company's future. And what counts, most of all, is the quality of service the director renders, rather than the contents of his personal portfolio.

When boards meet

In slightly more than half the Panel companies, the board of directors meets monthly; in about a fifth of the companies, quarterly; and in a sixth, bimonthly. Similar surveys by the NICB indicate that frequent board meetings tend to be the rule in larger companies like those on the DR&MI Panel. This is generally borne out by the DR&MI findings. Many companies with regularly scheduled meetings report skipping one or two sessions a year, usually during the Summer. And almost as many companies, often with fewer regular meetings, will assemble the board to



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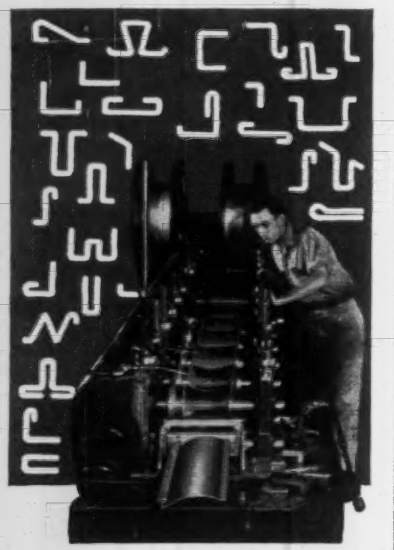

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Directorships, since the days of the $20 gold piece paid for each meeting 25 years ago, have traditionally been—and still are—among the lowest-paid top-management assignments, although retainers and fees, like everything else, have risen somewhat. Here, company size seems to have little effect in bucking tradition, although recent surveys reveal an increasing trend for more companies to pay retainers—and to supplement their directors' regular honoraria with extra pay for committee work and consulting. Also, a few companies are beginning to permit outside directors to participate in such intra-company fringe benefits as profit sharing and group life insurance.

Almost three out of four companies on the Panel pay their outside directors a meeting fee, most often $100, but ranging from $20 to $300. Rarely are inside directors paid for attending meetings, but where they are, the fee tends to run roughly half that paid to outsiders. Only one company on the Panel reports using the Tontine system, dividing $2,000 among the six outside di-

What Constitutes a Well-Balanced Board?

Company presidents, it seems, tend to regard the ratio of "inside" and "outside" directors of their own boards as ideal—largely because this balance works well for them. Since there is a slight predominance, among the Panel companies, of boards with outside majorities, the arguments in favor of such a balance prevail. But a number of men believe the best arrangement is an even split—and a substantial group, with successful inside boards, would have nothing else. Here is a sampling of these diverse views:

Insiders should have the edge—or predominate:

"The ideal board should consist of a dominant majority of officers and executives who are active in the management of the business, responsible for results, and intimately familiar with the significance of the problems and opportunities of the business; and a minority of directors who can bring to the deliberations of the board ideas deriving from broad business and professional experience."

"Five of our seven directors have 'grown up' with the business. With a situation of this type, I believe it is safe and desirable to have inside men in the majority. The pressures from our junior executives will not permit us to become hidebound, obsolete, or even conceited. The outside directors provide the rest of the stabilizing effect, if needed."

"We have been most successful because inside men know more about the business."

"Should have a majority of inside men. They are closer to everyday problems. Outside directors should have business prospect contacts, be experienced in finance, well informed on general business and economics. Insiders then utilize their full knowledge in managing the company."

A 50-50 split makes the most effective board:

"About 50 per cent full-time inside men and 50 per cent outside or part-time men. I personally do not think majority on either side is important. The really important thing is to get the highest caliber of thought with reasonable representation of the inside and outside viewpoints."

"I think the board balance should vary according to type of company. . . . An inside board audits itself, which is bad, but an outside board cannot have a really intimate touch."

"We have traditionally been about equally divided. It makes a good balance between detailed knowledge and objectivity."

"I prefer a board with half inside and half outside directors. The outside director can disinterestedly review work of executive group and act as interpreter between outside business world and internal operations of the company."

Outsiders should constitute the board majority:

"I believe that the majority of the board should be outside directors, because management should be looking for guidance. . . . An all-inside board is hardly a board of directors."

"20–25 per cent inside men, 75–80 per cent outside. Every company, without exception, tends to become inbred. This is inescapable. The only feasible antidote is a board made up overwhelmingly of outside directors."

"A solid majority should be outside, part-time men so that they can control the situation in an emergency. Also, it's good for management to have to report periodically to an objective, impartial group."

"Outside majority obviates any probability of management indulging in 'dreams of empire.' Keeps management in role—proper, I think—of stewardship of stockholders' investment and permits, in case of unsuccessful results, board action to improve management with minimum of delay."

rectors (on an eleven-man board) who actually show up for each meeting. Frequently, companies pay outside directors' travel expenses.

Annual retainers are paid by exactly one out of three Panel companies. While they range from $750 to $10,000 (and in one instance, "from $5,000 to $22,000 depending on the duties and time given"), most often the retainer is $2,400 or $2,500 a year. About one in six Panel companies pay their directors both a meeting fee and an annual retainer. Often, board committee service and consulting rate extra pay, or a different retainer rate. Only in rare instances, outside of family companies or those with an exclusively inside board, are directors paid nothing for their service (see chart on page 42).

Selecting and recruiting directors

Overwhelmingly—nine to one—presidents want a strong voice in the selection of a new director. Almost always, they want the right to recommend men of their own choosing and—somewhat less often—the privilege of vetoing a man they don't want on the board. This consensus, of course, washes out some diverging points of view and a great many of the subtler qualifications.

Frequently, presidents say they will settle for the right to recommend candidates, keeping an open mind to other suggestions from the board, not, in a showdown vote, insisting on veto power for an unwanted man. But most presidents would not take kindly to having a new director foisted on them without being consulted privately in advance by the other directors. While none of the presidents specifically mentions that his own power and office might be jeopardized by a fractious director, a good many panelists insist on having "compatible men I respect," or make the point that "there should be no personality conflict between a director and the president."

Some presidents believe that only large stock ownership would entitle them to a stronger voice than any other members of the board in appointing a new director. Many presidents make a distinction between inside and outside directors in stating how much weight they believe their own recommendations should carry. Above all, no matter how the board is structured or selected, presidents want a body of men who will devote themselves, without cantankerousness and heckling, to the higher and longer-range objectives of the corporation. "A properly staffed and organized board," one man comments, typically, "should relieve the chief executive of many of his long-range planning responsibilities and enable him to concentrate on current operating problems." Other presidents "don't care

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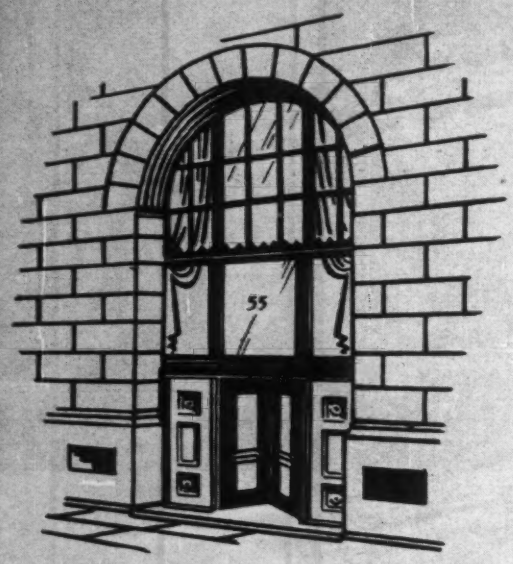

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much who the director is, if the man is competent, honest, has something to contribute, and adds to the stature or prestige of the company." (For other views, see box below.)

Once the board has canvassed the prospects and selected the man it would like to fill a vacancy, getting him is not always easy, even in well-known, established companies such as those on the DR&MI Panel. Actually, four out of ten panelists say they rarely run up against much difficulty in filling a gap on the board with the chosen candidate. But one problem looms large for many companies, and three out of ten company presidents mention it as the biggest handicap in recruiting new, top-caliber directors. One comment sums it up: "The best men are the busiest." Not only are good men frequently too busy, but often they are "already engaged on

Should Presidents Pick Directors?

Probably few presidents would admit publicly that they would like to pick their own directors, but in their confidential survey replies, nine out of ten say they want the privilege of recommending candidates. Here are some specific comments:

"Assuming the president is doing a good job, no director should be elected who is unacceptable to him."

"As chief executive officer of the company, the views of the president should be accorded careful consideration and proper weight."

"Should explore and canvass the field and then recommend nominee."

"Outside director—right to veto. Inside director—right of selection. (May want director qualified in special field.)"

"Under normal conditions, a new director should not be chosen unless approved by president, but president should approve any person who is intelligent and does not represent a conflicting interest or will lead to a division on board."

"I must be able to work with a new director and get work from him."

"Directors should be selected by stockholders. If company president is large stockholder, he should have a large voice. Otherwise, he should recommend only to stockholders in order to help obtain well-balanced board."

"The president should take the initiative in suggesting candidates but should have the same voice as other directors in reaching final decisions."

"I do not believe a president should attempt to impose his candidate on the directors against their judgment."

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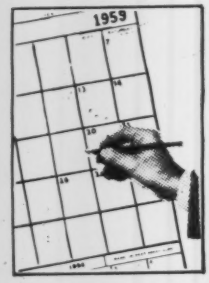

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too many boards and won't accept additional memberships. Or they are associated with a company or a business that discourages or refuses to let its top officials serve on outside boards." "It takes considerable persuasion to induce a busy man to join your board," one president remarks. Another remarks, "The responsibilities are fairly heavy, and the incentives are rather intangible."

Other companies mention such problems as geographical location of a company, which may make it difficult for a director to attend meetings; the limited financial incentive; competitive business commitments of prospective candidates, which may create a conflict of interest; or simply the difficulty of locating men with the desired experience and interests. As one panelist says, "When you eliminate customers, suppliers, professional directors, men who are on more than three boards, men over 70, and men who cannot give sufficient time and interest to the affairs of the company, the number of men available is limited."

Winning them over

Yet despite such handicaps, presidents do induce hard-to-get men to join their boards. The formula of persuasion, as detailed by numerous panelists, is simple in principle, although it is undoubtedly complex in application and may require seasoned negotiating skill. Add-

Coming Threats of Block Stock Ownership

While individuals own nearly 60 per cent of all publicly held stock, institutions rank second in importance, over-all, as shareholders—owning 15.9 per cent of common stock and 28.6 per cent of preferred. Will the growing trend toward the accumulation of large blocks of stocks by institutions, mutual funds, pension funds, corporate trusts, and other non-individual holders influence corporate management in future years? "No," say 37 per cent of the DR&MI Panel presidents, but 28 per cent say, "Yes," and 35 per cent say, "Possibly." How much and whether these influences may affect management—and the board of directors—is outlined by these panelists' specific replies:

Yes ..... **say 28%**

"To me, this is one of the great future problems of corporate management. Should [these investments] be utilized to cause liquidations, mergers, or to prevent or correct management errors, the effect can be disastrous."

"Yes—tendency to create a class of professional directors."

"Yes—with pressure from union pension funds greatest probability."

"Undoubtedly. Boards are going to have to be on their toes."

"Very definitely where immediate income is the only interest and programs for long-range stability might not get proper support."

"Yes—perhaps too much of a tendency to place financial and investment analyst-type men on the board."

Possibly ..... **say 35%**

"At the present time, I see no signs of any such influence. But nevertheless, when large blocks of stock are held by one interest, you cannot help but feel that that interest might at some time try to be influential."

"As long as the mutual funds, pension funds, and corporate trusts are headed by business men and not politicians or amateurs, I do not anticipate destructive influence coming into the average board."

"If we continue losing money, as we did in the past quarter, we may find some of these fellows insisting on minority representation on the board."

"This may be a factor in the future; it is not one for us now. The result may be a conservatism which will impede the dramatic progress which our competitive economy affords to the imaginative company."

"I would expect an intelligent mutual pension or corporate trust fund investing in a company to leave the directors and the management alone to do their job, if they have confidence in them, except for constructive suggestions given in good time. I see no place for a meddling kind of influence, and believe this would be harmful."

No ..... **say 37%**

"No, although there will possibly be exceptions. The responsibility of people managing funds is to be objective investors and not to manage companies."

"No. Stock ownership is being further spread, rather than concentrated."

"Presumably the management of a company whose securities would be attractive to this class of buyer is satisfactory, and it would seem hardly likely that mutual funds, pension funds, or corporate trusts would have the time or inclination to interfere with management or attempt to secure representation on the board."

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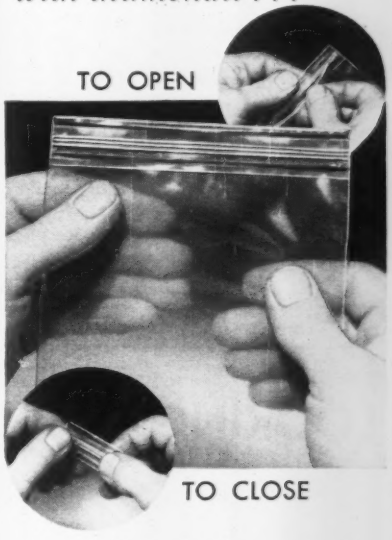

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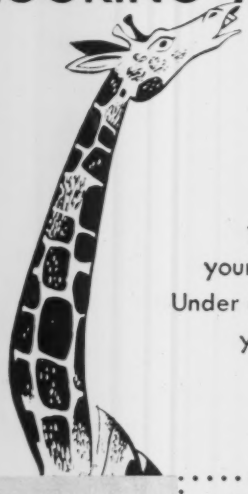

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Who Should Be on the Board?

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87%	**Inside management**
81%	**Financial men**
68%	**Large stockholders**
37%	**Technical men**
32%	**Ex-officers**
16%	**Lawyers**
15%	**Outside management**

Nine per cent mention certain age categories. Smaller percentages mention various other groups: marketing men, Government officials (presumably not of regulatory agencies!), minority groups, educators, production men, and customers. Three per cent specifically mention women directors.

ed up, the tactics employed by the presidents in approaching a much-wanted directorial candidate amount to a shrewd hard sell: dangle before him a company so challenging in its present problems and future prospects that he can't resist, then close the sale by convincing him that he is needed.

As one president summarizes it, "Get him excited about the company—its plans, its problems—let him see how he is uniquely equipped to work on them." Apparently, in inducing good men to join the board, nothing succeeds like success—and the further promise of it in "a dynamic, growing corporation."

Other factors, of course, are involved in persuading good men to accept board membership. The prestige and reputation of the company—and an already distinguished board—may increase the inducement and make service an honor that even a busy and burdened man would hesitate to turn down. Directorship may offer other attractions. "Experience on our board," a number of presidents say, "will aid [a director] in recognizing and solving problems of his own business." Friends of the nominee are often asked to encourage him to accept. And occasionally the pitch may be tinged with an appeal to altruism, on the basis that service to the business community is a moral obligation. Rarely are fees or retainers mentioned; as every business man knows, they are usually too nominal to exert much leverage in persuading high-bracket men to join a board. END

How presidents work most effectively with a board, whether a critical board is more useful than a docile one, and how board challenges should be met and counteracted will be the substance of an article next month, Part II of this special report: THE BOARD OF DIRECTORS AT WORK.

INDUSTRY'S WAR ON WEAR

continued from page 47

course, highly desirable in any machine, whether or not it is part of an automated set-up. But machine reliability takes on an added dimension in an automated line. Since the whole line is tied up when one machine breaks down, the individual machines must be extremely reliable and must have about the same *degree* of reliability.

Since wear is the leading enemy to reliability, the answer is to add a greater margin of safety to anti-wear measures, to "over-design" the lubrication systems in automated machinery, and to position the machines to facilitate anti-wear inspection and maintenance. Although these measures undoubtedly add to plant and equipment costs, they are essential to continuous and reliable operation.

Because of rapid technological advances in the war on wear, it's a good idea for management to stimulate exchange of information and experience and to push for agreement on standard practices among personnel responsible for lubrication and anti-wear measures. This is particularly profitable in a multi-plant organization. At General Motors, a single executive, Bruce A. Smith, has been designated to encourage such a valuable exchange among that company's many plants. Instead of solving every wear problem itself, one plant's (or department's) maintenance men can often obtain the solution quickly and at no cost from another that faced the same problem earlier.

Although DR&MI interviews with plant managers indicated they feel that the machine-tool industry in general is doing an excellent job in the war on wear, management should also stimulate feed-back of complaints and recommendations on anti-wear performance to suppliers. Ford Motor Company, a firm believer in this practice, reports back regularly to its machine-tool suppliers.

Keeping 'em rolling

Although the problem is not so complex as in production equipment, wear in vehicles—including the tens of thousands of industrial trucks handling materials in and around plants—is just as important, and just as costly to management. Even more than in machine tools, anti-wear measures in vehicles revolve around lubricants, although the nation's railroads still have a long way to go in converting freight cars from the antiquated stuffing box to modern roller bearings. (Estimates of the cost in wrecks, delays, replacement of parts, and shipping damage directly attributable to "hot boxes"—burned-out bearings—on the nation's railroads have

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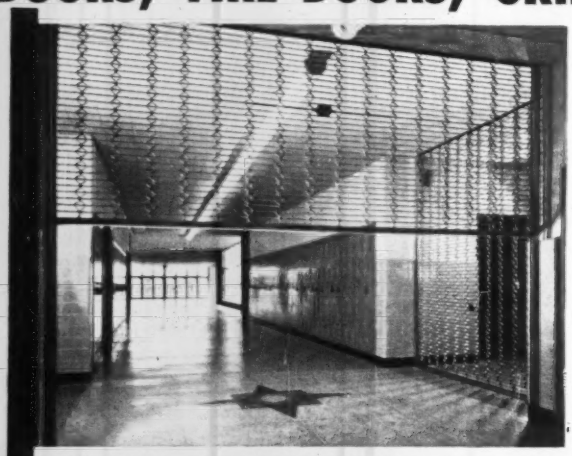

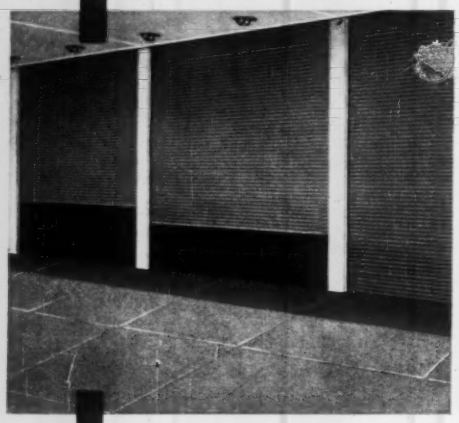

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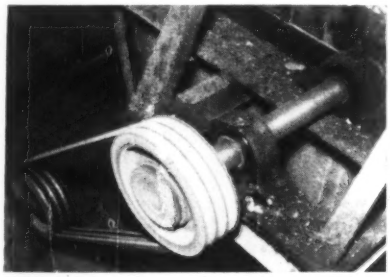
In vehicle maintenance, and to some extent in machine-tool lubrication, the big question at the moment is the value of molybdenum disulfide as an additive to oils and greases. This greasy, clinging substance was first introduced as a commercial lubricant additive after World War II. Some truck operators—and plant maintenance people, too—hailed it as the answer to their prayers. They claimed that it stuck to wearing surfaces much longer and with greater effect than any known lubricant. Others reported that results were erratic and at best not good enough to justify a 200–300 per cent premium in price. Today, the consensus is that molybdenum disulfide, properly combined with other additives, can perform wonders in many, but not all, wear situations.

Self-cleaning lubricants

Detergents are, of course, now an old story in crankcase oils, adding greatly to engine life and the length of time between overhauls. They are now finding their way into plant lubrication. One victory against wear credited to detergent lubricants occurred in a paper mill. The heated drying rollers in a huge papermaking machine had to be removed at frequent intervals because dirty fluids running off the half-finished paper were gumming up their bearings. The company changed to a detergent lubricant and the bearings now run continuously for long periods without cleaning, greatly adding to the productivity of the machine.

Lubricants aren't by any means the whole anti-wear story. Actually, lubrication is about three-quarters of the problem, but the other 25 per cent can't be neglected. First, if a wearing part is overloaded, either through misuse or poor design, lubricants won't save it. It will overheat, even if it doesn't fall apart altogether. Heat is one of the most destructive influences on a wearing surface, weakening the material and causing the lubricant to deteriorate as



DIRT AND HEAT *are the great enemies in the war on wear, as illustrated by this bearing supporting a fan shaft leading out of a 1,000° F furnace at R. H. Osbrink Manufacturing Company, Los Angeles. Frequent parts replacement was cut by using a Molub-Alloy lubricant.*

well. According to scientists at the Texaco Research Center, the rate of destructive oxidation of lubricants approximately doubles with every 20° rise in temperature.

Fortunately, there are all sorts of electronic and chemical means for spotting overheating at wear points. The electronic devices can flash the danger signal to a central location, while the chemicals are either attached to or painted on the critical spots. Like circuit breakers, the electronic devices can be reset after they've given a warning, while the cheaper chemical indicators are generally one-shot affairs and must be replaced like fuses after they've done their job. This can be an advantage, however, since more attention is called to the deficiency.

Just plain dirt

Dirt is another enemy in the anti-wear struggle. Although one of the main purposes of grease, especially in construction equipment, is keeping dirt out, you can't rely on it entirely. One good answer is sealed bearings. However, sealing isn't always 100 per cent effective, and it also limits heat dissipation.

In many plants and repair shops, operations like grinding will leave destructive dirt on wear surfaces and bearings. Unless every abrasive particle is removed by careful cleaning, it will cause trouble later on.

Hardening wear surfaces is the most common anti-wear prescription of the equipment designer. In addition to common heat treating, wear surfaces can be hardened by chrome plating or ceramic coatings (see photo, page 46).

Of course, equipment manufacturers could do the obvious thing and make

OIL'S OTHER JOBS

It's important to remember that oils and greases (which are oils thickened with soap) perform other functions besides wear reduction:

- **Cooling**
- **Rust prevention**
- **Fatigue prevention (the film of oil between parts also acts as a shock absorber)**
- **Noise reduction**
- **Keeping out dirt, air, or water**

In addition, hydraulic and cutting oils also have a lubricating function supplementing their major functions. Hydraulic oils lubricate the pumps and valves in hydraulic control systems, while cutting oils, besides cooling the tool point, make the chips slide easily over it.

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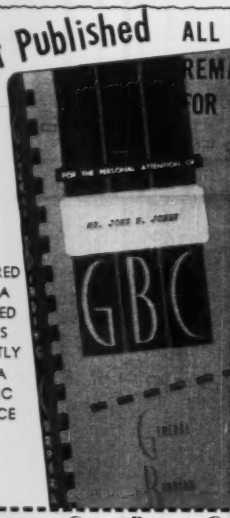

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the critical part entirely out of one of the tough, new wear-resistant alloys or ceramics. However, these materials are expensive and hard to form or machine. The practical answer is usually to cover the wear point with a thin insert of tough Kennametal, Stellite, tungsten, boron carbide, or synthetic sapphire.

Built-in lubrication

Some plastics are inherently self-lubricating. Waxy Teflon, polyethylene, and nylon can be molded into gears and bushings, but they can't take high loads. Graphite-impregnated, powdered-metal bearings are, of course, an old story in self-lubrication.

The new lubricating coatings are also coming into greater prominence. Carefully applied by brush, spray, or dip methods before the part is assembled into the machine, these coatings often last the life of the machine.

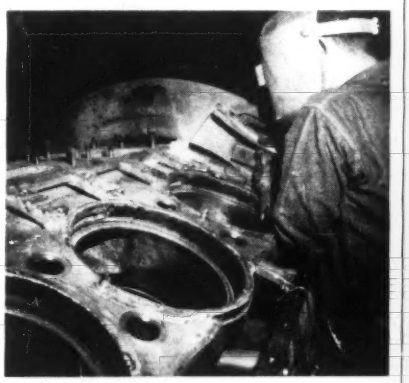
All the complex instruments and techniques of modern research are now mobilized in hundreds of research and design laboratories to attack the wear problems of today and tomorrow. For instance, radioisotopes are helping researchers to find out what happens in the microscopic space between two wearing surfaces. Already, greases that resist nuclear bombardment are available for atomic-powered gear.

Bearings that operate effectively at the increasingly higher speeds and temperatures of modern equipment will be another product of this research effort. Special steels, Pyroceram, and other, even more exotic materials are under study for these bearings, which will run

Better Lubrication Can Cost Less

Although bearings, lubrication systems, and other anti-wear equipment rarely represent more than 1 per cent of the cost of a machine (even 1 per cent of the billions spent annually on new equipment is a lot of money), management itself, under today's profit squeeze, must also check up on these techniques to make sure that they are performed as efficiently as possible. Considerable and easily achieved savings are possible if top management rides plant management hard on this job.

For example: In a large Northeastern bakery, six men were required for lubrication, working six days a week and sometimes on Sunday. By switching to automatic lubricating systems and consolidating a big stock of lubricants down to only five modern "all-purpose" types, four men were switched to other work. Annual labor savings alone were $32,880, plus elimination of much costly downtime and storage space.



REBUILDING WORN AREAS *on a diesel locomotive crankcase with weld metal at Electro-Motive. Many companies now replace worn metal at considerable saving over costly replacement of the entire part.*

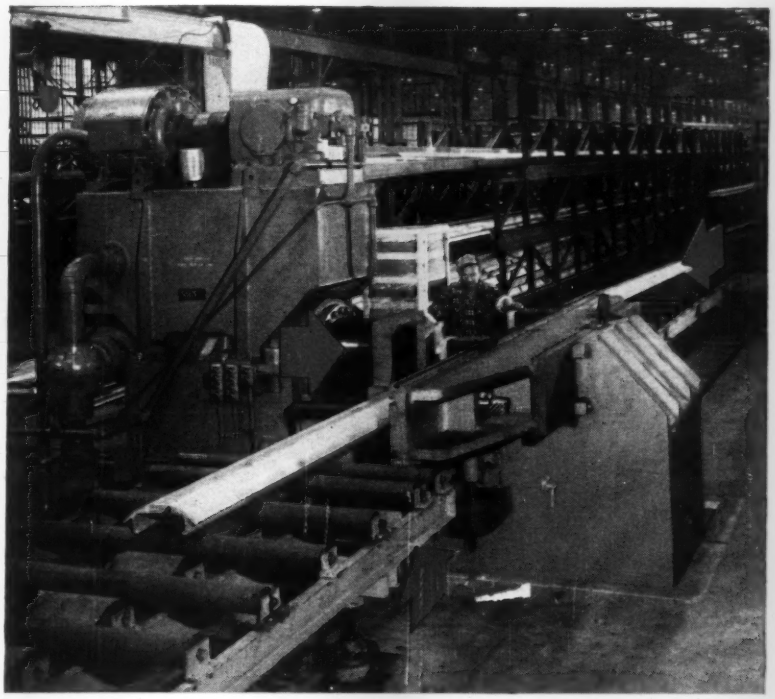
at 1,000° F. and more. Although all sorts of new synthetic, high-temperature lubricants are under development, these bearings will probably be lubricated by mists, inert gases, or even molten silver. Sometimes no lubricant is needed at all: at high temperatures the materials used give off gases, in effect lubricating themselves.

Heat-resistant bearings

Although in most cases these bearings are under development for military or aviation equipment, there are many industrial situations where high-temperature bearings would be useful. At present, many industrial bearings cannot be mounted in the best place from a mechanical point of view because of high ambient temperatures. The present solution is to make drive shafts longer (at increased cost or decreased rigidity), to move the bearings away from the hot spot, or to include costly, clumsy cooling systems.

High speed, which itself generates heat, is really another side of the heat problem in bearings. Speeds over 300,000 revolutions per minute (100 times faster than your car engine turns over at 60 mph) are now a commercial reality, and a DR&MI editor saw a prototype bearing spinning at a phenomenal 457,000 rpm at Miniature Precision Bearings, Inc., Keene, N.H. Grease to lubricate such bearings must be ultra-clean. One special dirt-free grease has been developed, but costs more than its weight in gold—$85 an ounce.

The war on wear will never end, because as long as any machine is doing useful work—producing or hauling the products of industry—it is wearing out. Equipment designers, researchers, and maintenance men are in the front line of this fight, but they can't hope to win without proper management leadership and support. END



Live-roller conveyor moves work into press. Conveyor moves up or down to position work in die. Ram moves forward to straighten work. Entire installation, including press and conveyor, designed and built by Farquhar.

Kaiser Aluminum uses this Farquhar HORIZONTAL BULLDOZER PRESS for fast-cycle straightening

Aluminum extrusions, fed *continuously* to the press on Farquhar Live-Roller Conveyors, are straightened in a *fast-cycle operation* on this Farquhar 500-ton Horizontal Bulldozer Press. This efficient set-up is installed at the U. S. Air Force Heavy Press plant operated by Kaiser Aluminum & Chemical Corporation in Halethorpe, Maryland. In their own words this press is used "to eliminate natural bows and deformations which develop in some aluminum extrusions after they have been heat treated."

Like Kaiser Aluminum, major plants in this country have found that these Farquhar Horizontal Bulldozer Presses provide high production at low unit cost. Fed either by crane, overhead or in-line conveyors, they are used to economically forge, stamp, straighten or form parts in an efficient, fast-cycle operation.

Write for complete information on Farquhar Horizontal Bulldozer Presses or, better still, ask for our proposals or recommendations.

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Frequent color changes are simplified now in the painting of playground equipment with Ransburg Electro-Spray in this St. Louis plant. Long, tubular parts, as well as these smaller pieces, are uniformly coated with the Ransburg reciprocating disk.

QUALITY IMPROVEMENT! That was Turco Manufacturing's chief reason for changing from flo-coat to electrostatic spray painting of their quality line of playground equipment.

Not only is Ransburg No. 2 Process providing a higher quality, uniform coating on all parts, but Turco is saving 35% in paint cost!

Simplicity in color change with Electro-Spray is another important advantage here. With Turco's production methods, colors are changed 15 times in an 8-hour shift. Now, changes are made on the fly with no down-time. By contrast, the former "stop and go" method would mean over an hour's lost time in a day's operation.

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Whatever your product, if it's painted, we'd like to tell you more about the worthwhile savings and benefits which can be yours with RANSBURG ELECTROSTATIC PAINTING PROCESSES. Write for our No. 2 Process brochure which cites many examples of electrostatic spray painting on a wide variety of products.

Call or write

RANSBURG
Electro-Coating Corp.
P.O. Box 7822, Indianapolis 23, Ind.

MANAGEMENT'S STRAIGHT TALK

continued from page 45

overtime, and fringe benefits. It was impressive documentation for the management "story."

Today companies are talking more positively to their management groups, in the belief that the natural processes of communication carry the word into the bargaining unit. Sylvania Electric Products, Inc., New York, discusses with complete candor the factors involved in coming negotiations, and when a strike occurred at a plant (as it did in July), there was no censorship involved. General Electric, as part of its lively "Operation Upturn" campaign, took its management personnel into its confidence with a frank bulletin, "What About Pay Increases Which Starve Recovery and Feed Inflation?"

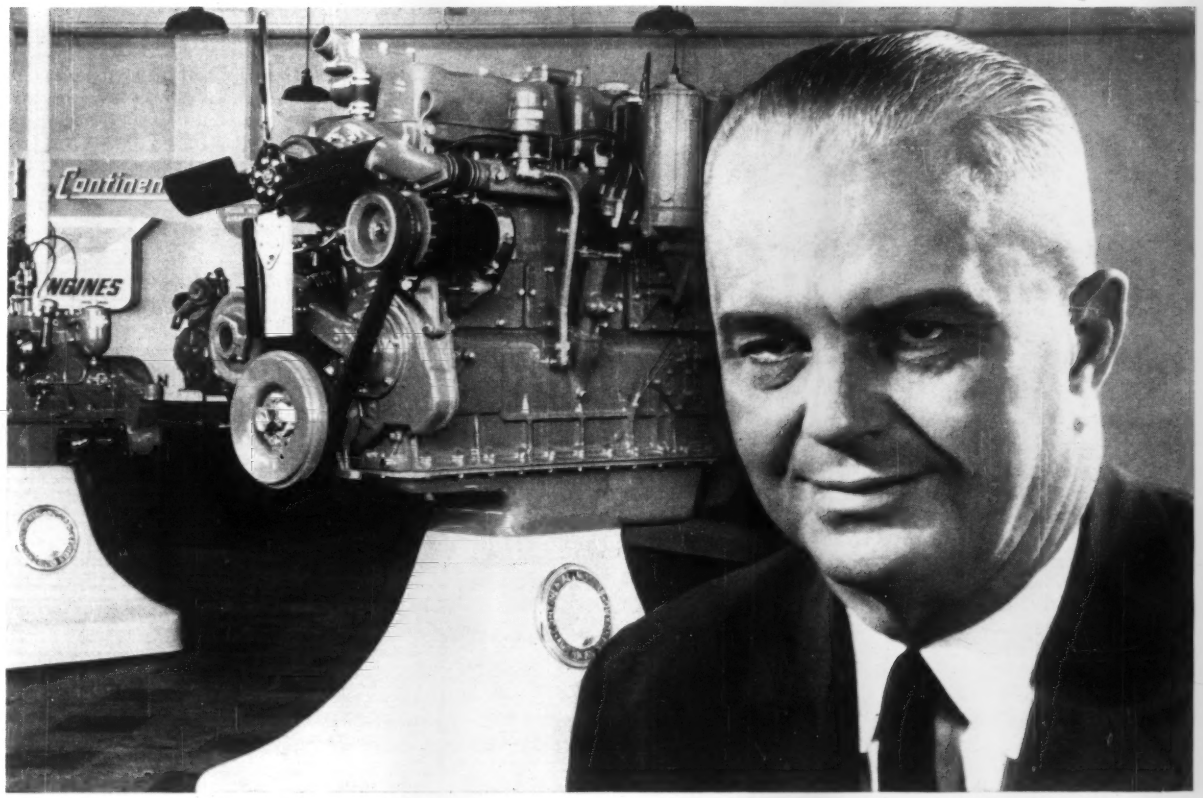
Westinghouse in Pittsburgh has been using several devices effectively to convince the employee group of the soundness of its thinking. With SUB the only issue in the coming contract re-opener, Westinghouse in its employee newspaper published an article recently on what the company is doing specifically to stabilize employment. These were not random notations on the company's good intent, but carefully defined steps describing what's been going on in the area of job security. Pre-negotiations editorials assured the company that it would reach its people with significant bargaining facts.

Pocketbook lessons

Simulated "wallet" mailing pieces show Westinghouse employees how well they fared at the midway point in their five-year contract. The literature was simultaneously blown up for bulletin boards. In August, the company mailed each employee a bank book, showing him the exact amount of employee benefits to which he is entitled—something very few employees anywhere know.

Does this type of communication carry any actual weight at the bargaining table? There are two schools of thought, but more and more companies are inclining toward heavier pre-bargaining communication. They are counting on an informed electorate.

If there is timidity in management in talking about bargaining, there's no evidence of it at the Ex-Cell-O Corp., Detroit (DR&MI, April 1958, page 162). Back in June, as the company approached a Summer of union-management conversations, the company announced in a banner headline in the employee paper: NO BLACKOUT ON UAW TALKS. To this was appended the subhead, "Company to Keep Employees Informed During Negotiations; Cites Unworkable Clauses, Ex-Cell-O's Business Outlook." In an amplifying paragraph, Vice President M. B. Mont-



"Heller working funds enabled us to weather the stormiest period in our history"

says, C. J. Reese, President, Continental Motors Corporation

"The use of a Heller Working Fund Program was a turning point in the history of our company," says C. J. Reese, President of Continental Motors Corp.

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If your company can see opportunities for increased profits through the use of additional working funds, why not learn the facts about Heller modern financing? Write for a free copy of "Operating Dollars For Every Business" and for specific information pertinent to your own situation. Your inquiry will be treated in confidence and without obligation.

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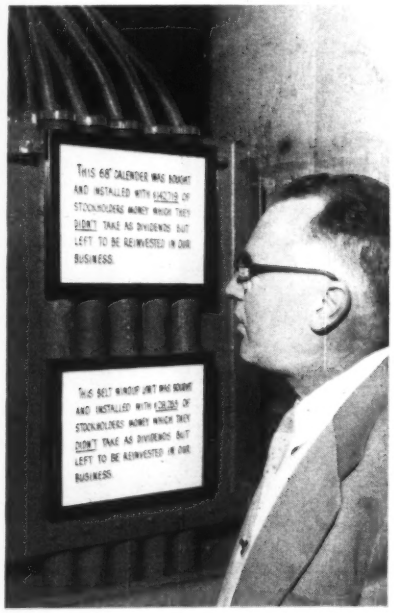
gomery declared: "Contrary to current industrial practice, there will be no communications blackout at Ex-Cell-O while the union and management bargain for new labor contract terms. . . . Our communications to employees will give honest, factual reporting on the important issues and problems discussed and the provisions proposed. . . . We'll state the position taken by management and the reasons for our stand. And we'll present a factual appraisal of the position taken by the UAW-CIO. Our employees will be informed of our progress or lack of progress throughout the negotiations."

The case for profits

Management of late has not waited until the pre-bargaining period to respond to union criticism. For years the labor press has made an issue of industry's profits. The semi-apologetic mumblings of management have neither quieted the labor journalists nor given any particular enlightenment and comfort to the individual employee. Now there is strong evidence in management communications that management is out to merchandise profits as something that is good for all. Procter & Gamble recently summed matters up in a special feature called "Profits in Action." Because the company is successful and profitable, the P&G employee magazine pointed out, it is able to "produce high-quality products used by millions; provide steady, well-paid employment for more than 29,000 persons; provide a fair return on invested money to more

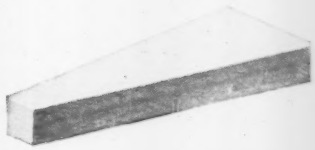

THIS 68" CALENDER WAS BOUGHT AND INSTALLED WITH $ DOLLARS OF STOCKHOLDERS' MONEY WHICH THEY DIDN'T TAKE AS DIVIDENDS BUT LEFT TO BE REINVESTED IN OUR BUSINESS.
THIS BELT WINDUP UNIT WAS BOUGHT AND INSTALLED WITH $ DOLLARS OF STOCKHOLDERS' MONEY WHICH THEY DIDN'T TAKE AS DIVIDENDS BUT LEFT TO BE REINVESTED IN OUR BUSINESS.

BEDROCK ECONOMICS *is taught at B. F. Goodrich when calendar and belt windup unit are installed. Employees are told the cost, source of money: retained profits.*

MEET A MATERIAL . . .

SO SHOCK-RESISTANT IT KEEPS GOLF CLUBS FROM "LOSING FACE"

Waggle . . . swish . . . *wallop* . . . 250 yards . . . smile. Meanwhile, back at the "wallop," a Vulcanized Fibre insert costing only a few pennies has saved the face of a $20 driver. Over and over again, this tiny wedge of cellulosic fibre takes the smashing 2,980 pound blow of club against ball and comes back for more. A spectacular demonstration of the strength and stubborn toughness of Vulcanized Fibre, but even more eye-opening are scores of other applications which prove this material's *unique combination* of properties. See for yourself. Send for our new kit of samples and give them your toughest tests. We'll wager you find a product improving idea—as others have been doing for 99 years



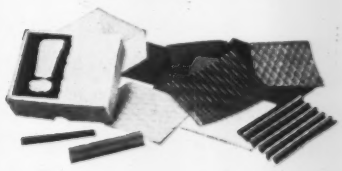
Here's the insert that takes a pounding

Yet the really impressive thing about this unique material is its almost unbelievable range of uses. For example: impact-resistant rail joint insulation for railroads; circuit breaker arc chutes; hard, glass-smooth shuttle armor and textile bobbin heads; dense, durable gears, cams and cutting blocks; lightweight, sanitary ligature reels; protective washers for hypodermic needles; flexible, tear-resistant backings for abrasive discs; oil- and solvent-proof parts of many kinds.

We take our own medicine. The light weight, glassy smoothness and long life of Vulcanized Fibre make it ideal for use in our own shock-resistant, sound-deadening Kennett Materials Handling Receptacles and Lestershire Textile Bobbins.

Among engineering materials, you'll find Vulcanized Fibre unique and surprisingly economical. It weighs only half as much as aluminum. It has outstanding arc resistance, low thermal conductivity, excellent resilience and high abrasion resistance. It absorbs sudden repeated shocks and impacts without failure. And it can even be formed or deep drawn into intricate shapes—as well as machined, polished, painted, embossed and combined with other materials, such as laminated plastic, aluminum, wood, rubber, asbestos or copper! It's available in many forms and sizes.

Send for samples today—and ask about the use of Vulcanized Fibre in any product that's giving you trouble. Dept. I-11.



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than 59,000 shareholders; and participate as an active industrial citizen in the community life of more than 40 American cities and towns." The highlight article noted that in the course of daily operations P&G provides business and opportunity for income to countless other people and businesses.

"Profits are a worker's best friend," readers of the employee magazine of American Steel & Wire division of United States Steel Corp. were recently told, and the article stated explicitly why. Like other concerns which are tussling with the problem of explaining profits, Wireco resurrected that ageless saying of Samuel Gompers (one which, some management people feel, he probably regretted to his dying day): "The worst crime against working people is a company which fails to operate at a profit."

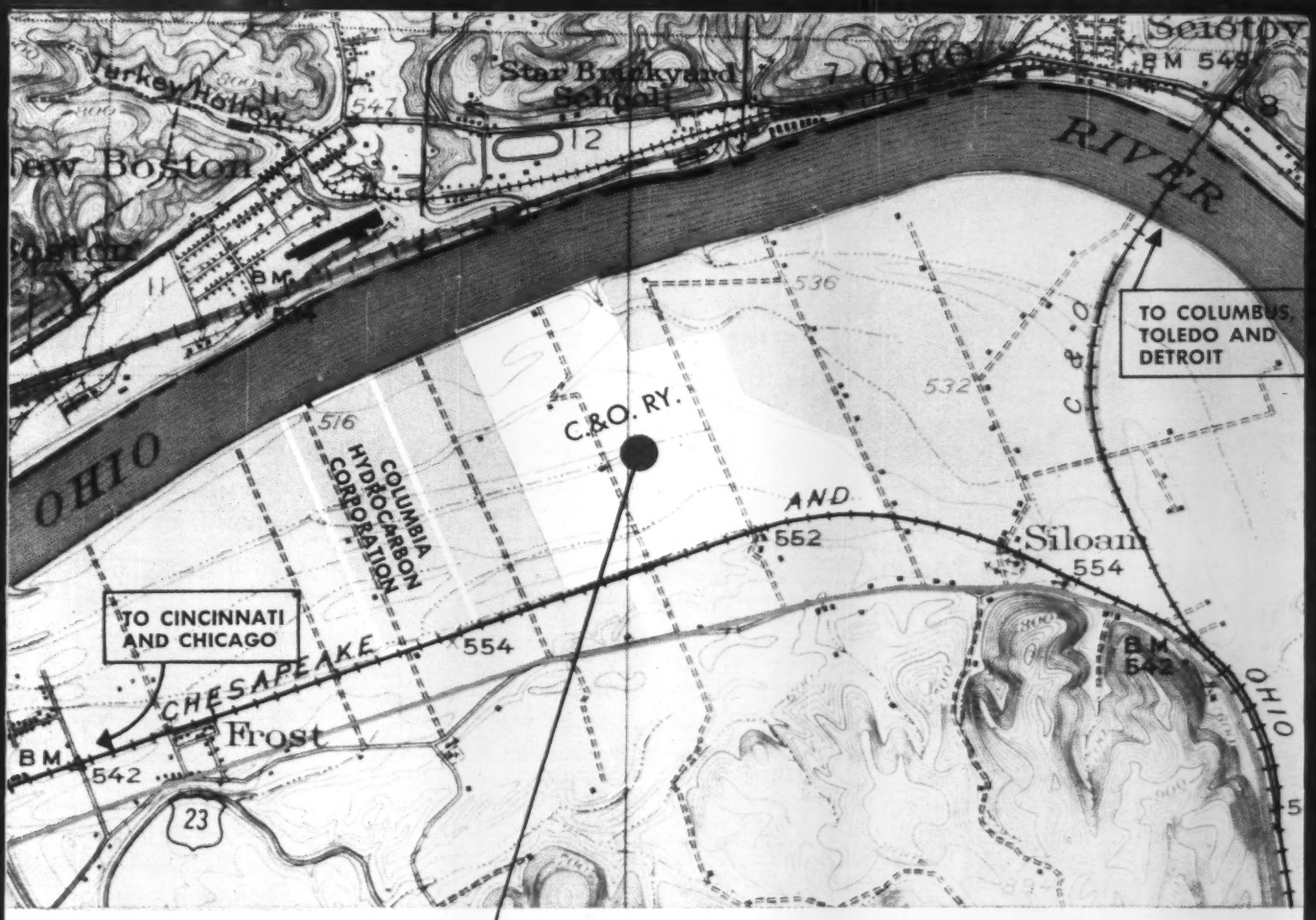
Several concerns today relate profit to machinery and equipment replacement—"if we didn't have the profit, we couldn't buy the machinery we need to stay in business." Electric Hose & Rubber Company, Wilmington, Del., reviewed the purchase of eight braiding machines: "It took a million dollars in sales income before we could buy them." The alert editor pointed out that the eight new pieces of equipment, purchased out of profit, also provided 24 new jobs.

THE AUTHORS • Robert Newcomb and Marg Sammons are the husband and wife partnership of Newcomb & Sammons, Chicago consulting firm. They own and publish *The Score*, a monthly management report on trends and developments in employer-employee communication.

Trouble brings "togetherness"

During the recession, the gloomy financial reports gave certain wide-awake concerns a new opportunity, not only to stress the essential character of profits, but to build a new type of kinship with employees. "We were all in the same boat in that dismal period," one industrial relations man remarked. "Now that the seas have calmed a little, we find that the experience has brought us closer together."

In May 1958, Seiberling Rubber Company, Barberton, Ohio, reported a $200,000 loss on its first quarter operations. At the left of the grim announcement on page one of the employee paper was an editorial which started: "That's red ink you see over in the right hand column of this page. It means that for all the work we've done and all the products we have sold up to now in 1958, the company lost money instead of making it. This may bring two questions to your mind: (1) Exactly what does this mean to you?, and (2) What,



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Typical is this 430-acre site at Siloam, Kentucky.

LOCATION: 4 miles east of Portsmouth, Ohio, at the junction of C & O main lines — West to Cincinnati and Chicago, East to West Virginia and Virginia, North to Ohio, Michigan and Canada. **TRANSPORTATION:** Chesapeake and Ohio; U.S. highway No. 23; Ohio River. **UTILITIES:** Kentucky Power Co., Columbia Gas of Kentucky, Inc. Water from South Shore Water Works with surplus capacity of 300,000 gallons. **TOPOGRAPHY:** Just enough slope for proper drainage. **LABOR:** Estimated surplus of 2,100 men and 6,500 women in the area.

Complete Industrial Surveys of this and other Ohio River sites are available to interested companies. Inquiries are handled in complete confidence and without obligation. Address: Wayne C. Fletcher, Director of Industrial Development, Chesapeake and Ohio Railway, Huntington, W. Va., Tel: Jackson 3-8573

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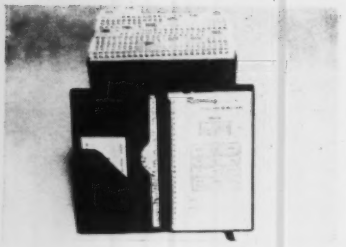

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if anything, should you do about it?" The company answered both questions in detail, and it earnestly solicited the suggestions and ideas of employees.

A helpful habit

During the recession, several companies reported highly encouraging responses to scrap reduction drives. Communications devices were pressed into service to impress upon employees the gravity of the situation, to outline what was specifically needed to keep the old ship afloat, and to invite employee cooperation. Curiously, employees in some concerns continued to cooperate after the crisis was passed. One works manager says of his company's waste and scrap reduction campaign: "Our people got used to the idea of working more carefully during the recession. As things began to improve around here, the waste and scrap still stayed down. I guess the boys in the shop just got the habit. We were frank and firm in stating our case, and I think it got us a lot farther than if we had just pussyfooted around with a crisis."

To the veterans of industrial relations, the firmer tone in management's voice indicates its determination to get the unembroidered facts of economic life across to employees. Most of them recognize that the payoff—if there is to be one—must be made at the bargaining table. They feel that if employees can be convinced of the soundness of management's position—in advance of bargaining—that conviction will be reflected in a less adamant union position.

The professional approach

This, Mr. Swenerton of Gladding, McBean declares, is not easily accomplished. In championing a "more professional management approach" in dealing with unions, he invites management to weigh a few facts:

- The labor agreement is probably the largest single economic "deal" in the average company.
- Those who call themselves "professional management" frequently have failed to apply the same quality of management talent, thinking, planning, and skill to human relations problems that they have applied to other aspects of the business. (This is one of management's most vocal concessions, and the one most often ignored.)
- There is too much "seat of the pants" management in the labor relations field. Management looks upon the acrimonious ordeal of bargaining as a process of progressive amputation. Collective bargaining is therefore viewed from an emotional standpoint. When the "deal" is finally made, management leaves the arena, throws the contract into the desk drawer and says, "Thank God, that's over for another year!"
- Management lacks objectives, philos-

Eyeing a new plant site?

The Texas Power & Light Company invites expanding industry, large or small, to make use of the services of its staff of specialists—skilled and experienced in serving officers and executives of industrial corporations. Without obligation, your particular location problems will be carefully and thoroughly analyzed by those having broad knowledge of industry and facts pertaining to manpower, materials, resources, finance and other important factors in Texas.

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Booklet detailing plant location services sent on request.

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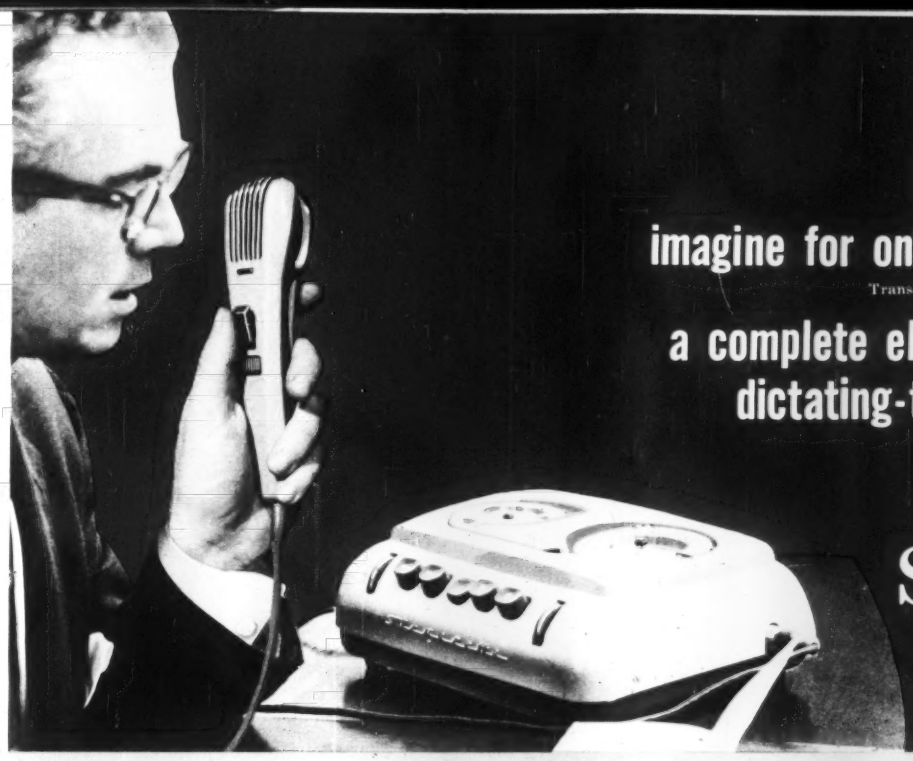

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—the first really new dictating machine in 18 years!

Dictate, transcribe, erase, correct, start again after an interruption, repeat a word or an entire report, *all with a flick of the convenient "mike" button.* **STENORETTE speeds your work, prevents mistakes, saves you valuable hours each day. Here's everything you've always wanted in a dictating machine—***at half the cost of other dictating machines!* **It's a fully-equipped, precision business machine that actually** *pays for itself* **in more-accurate, faster on-the-spot operation!**

MORE THAN 300,000 NOW IN USE! Executives everywhere prefer the **STENORETTE** to any other dictating machine *regardless of price.* **STENORETTE gives you all the features of units costing twice as much – plus these advantages: Safety-control automatic error erasure, dual function dictator and transcriber, re-usable tape, and many others you can't get elsewhere at any price. COMPLETELY PORTABLE: weight 11 lbs. 10 oz. Just plug it in—at home, in office, even in a** *moving car.* **It's always ready when you are. PUSH-BUTTON CONTROL: easiest machine for you—and your secretary too!**

SEND THIS AIRMAIL CARD TODAY FOR FREE BROCHURE

No postage required. Please send no money.
Turn the page for more exciting details.

DeJUR-AMSCO CORPORATION, Dept. 000, 45-01 Northern Blvd., Long Island City 1, N. Y.

Please rush, without obligation, a copy of your FREE BROCHURE explaining how the Stenorette can make my office work go faster, more efficiently, and more accurately.

PLEASE PRINT

Company_____
(If you are interested for personal use, ignore this line)

Address_____

City_____ Zone____ State_____

Individual_____

Title_____

☐ Send me name of nearest Stenorette Sales/Service Center.
☐ Also send me details on the new DeJUR-TRIUMPH Typewriters.

AT LAST!

Push-Button error-free dictation at a price everyone can afford

HOW OFTEN have you seen a *price* in an ad for a complete dictating machine? Probably never. In fact, other manufacturers, realizing that their prices are so high, leave out all mention of purchase price or suggest that you can *rent* their machines. But you can own your Stenorette—because this electronic miracle sells for half the price of comparable major dictating machines. *It even costs less than a standard office typewriter!* That's why every office—even the smallest—can afford a Stenorette.

only **$179.50** plus F.E.T.

Transcribing accessories at slight extra cost.

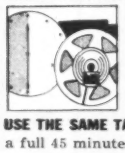
COSTS LESS...ACTUALLY DOES MORE! Despite its amazingly low price, the world-famous Stenorette does everything the highest-priced units do—and more! It gives you every control, every time-saving convenience you can think of. And, because it's the most modern of all dictating machines, it's the easiest, simplest, fastest of all to use. Imagine! You dictate onto revolutionary magnetic tape—the finest medium for recording the human voice. And you erase with the *automatic* Safety-Control error erasure. Just re-record over the words to be corrected. You can dictate continuously up to 45 minutes. You never have to worry about expensive resurfacing and/or replacement needed for old-fashioned belts, discs, and cylinders. And Stenorette's foolproof PUSH-BUTTON CONTROLS make every step automatic.

FREE BROCHURE SHOWS HOW THE STENORETTE HELPS YOU "TALK" PAPER WORK AWAY.

Illustrated book *tells* and *shows* you how to do more really productive work in less time with the DeJUR Grundig Stenorette®. *Quantities are limited, so get your request into the mail now.*

DICTATE AND TRANSCRIBE WITH ONE MACHINE! A single Stenorette does it all. Just plug in the sensitive "mike" with finger tip Safety Control and dictate. Transcribing accessories designed for convenience and comfort of secretaries are used with same machine.

REALLY PORTABLE...WORKS ANYWHERE! Amazing Stenorette weighs only 11 pounds, 10 ounces, takes no more desk space than your briefcase. Stenorette's special design allows perfect operation in a moving car. (There's no "needle.") Exclusive "Conference" setting lets you record as many voices as you wish. Simple attachment lets you record telephone calls, too.



MOST SENSITIVE DICTATING MICROPHONE. Another Stenorette exclusive. Shout or whisper—hold the microphone wherever you wish. Your voice will play back clearly at its natural level.

USE THE SAME TAPE OVER AND OVER AGAIN! Dictate up to a full 45 minutes on miracle DuPont Mylar*tape. Transcribe. Start again with the same tape if you wish. Stenorette is as economical to *use* as it is to *buy*.

REMOTE-CONTROL ERASER! Make changes without touching the machine. Relax in your chair, press the button on the "mike," listen to your last words—and *record the correct words right over the error*, thanks to safety control erasure.

FOOLPROOF INDEXING! Typist knows exactly where to start listening, where to enter separately recorded changes, etc.

CHOICE OF TRANSCRIBING ACCESSORIES. Double or single earpieces. Playback control with bar on typewriter or pedal under desk.

WORLD'S EASIEST TRANSCRIBING. Tens of thousands of secretaries operated their Stenorettes flawlessly *within five minutes after their first trial.* All agree that Stenorette's clear, restful "playback" permitted rapid, error-free transcription!

**A product of DuPont*

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VIA AIR MAIL

BUSINESS REPLY MAIL
No postage stamp necessary if mailed in the United States

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DeJUR-Amsco Corporation
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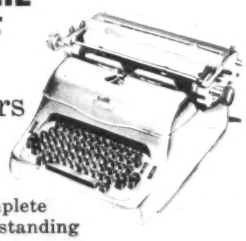
HAVE YOU SEEN THE NEW FULL LINE OF

DeJUR TRIUMPH Typewriters



Electric... Standard... Portable

See them at your dealer's now

Mail postage-free card for complete details on the newest, most outstanding line of typewriters *ever.*

ophy, and a *plan* for dealing with labor. Bargaining is a part-time job with management; with labor it's full-time. Management is in the "catching" position instead of the "pitching" position.

- The key to a strong position at the bargaining table is the allegiance and loyalty of the individual employee. This cannot be won by "love me suddenly" communications techniques employed only in a period of high crisis.
- Allegiance and loyalty must be earned and developed at the foreman level, in many concerns an area of almost criminal neglect.
- Management's tendency in labor relations has been to neglect the individual and attempt simplification of human relationships by handling them on a collective basis. Thus management deplores collectivism and at the same time contributes to its development.
- Successful collective bargaining calls for cooperative use of the best talent and skills of professional management —an integrated plant, home, and community program with "good bosses" at the core operating the year around.

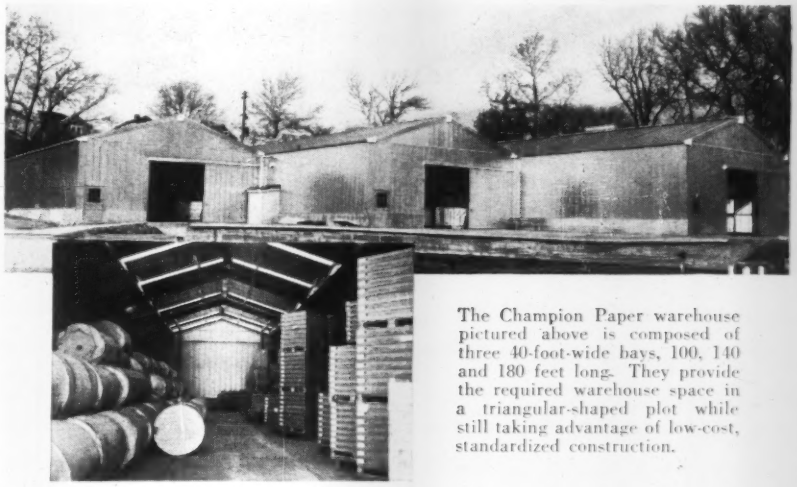
How it works

At Mr. Swenerton's own company, superintendents and foremen are in on the basic long-range planning—in connection with the key 1957 agreement, meetings were held weekly over a period of eight months. Operating people are asked for advice in formulating objectives and strategy. The company's arguments and economic theories are pretested against this group, to see if they will stand up. All problems and grievances are listed and cross-referenced to the language of the existing agreement. Foremen write seniority clauses and grievance procedures as assignments, and superintendents and production managers sit in at the bargaining table. And during the entire process, communications devices produced by the company keep employees advised of policies, programs, and attitudes.

The months ahead promise some interesting and probably acrimonious sessions at bargaining tables across the country. For the first time in many years, employees are becoming aware that the words "free enterprise" are not simply a phrase jotted down on the president's desk pad. They have learned, many of them, that the controls of our economy are not manipulated exclusively by the leaders of labor unions—that the law of supply and demand has a hand in it too. They sense that management has a few demands and proposals of its own and it might be a good idea to listen to them.

The new jut to the management jaw and the metallic glint in the management eye is the new style. It could become popular—and effective. END

Champion Paper gets weathertight, fire-safe product protection in this new Armco Building



The Champion Paper warehouse pictured above is composed of three 40-foot-wide bays, 100, 140 and 180 feet long. They provide the required warehouse space in a triangular-shaped plot while still taking advantage of low-cost, standardized construction.

Paper is a tough product to warehouse: it requires a lot of space, and it must be kept dry.

The Champion Paper and Fibre Company helps solve these problems with their new Armco Building. The interlocking wall and roof panels of this all-steel structure make it exceptionally weathertight, prevent moisture penetration.

And, since an Armco Building is noncombustible, it's ideal for warehousing materials such as paper. If fire breaks out, the all-steel construction helps contain it. Losses are minimized.

Wide, clear interiors give wall-to-wall, floor-to-ceiling use of space with plenty of maneuvering room for lift trucks. Large plastic roof panels are often used to cut down artificial lighting.

Each Armco Building is *built around a business*. Precision-made parts can be combined in an almost unlimited range of building sizes, shapes and arrangements from 23 to more than 100,000 sq. ft.

Special Armco designs and production methods, rapid erection, early move-in dates—all reduce initial cost. And, these steel structures practically eliminate maintenance costs.

Before you make a decision on your new building, it will pay you to find out how you can get more for your building dollar with an Armco Steel Building. Just mail the coupon.

FINANCING ARRANGEMENTS AVAILABLE

ARMCO STEEL BUILDINGS

ARMCO

Armco Drainage & Metal Products, Inc.
258 Curtis Street, Middletown, Ohio

Send me information on Armco Steel Buildings for the following use: _____

_____ Approximate size: _____

Name _____

Firm _____

Street _____

City _____ Zone _____ State _____

Ryder System means trucks! More than 10,000 vehicles of this growing, publicly-owned transportation system are serving all types of business from coast to coast. Ryder Truck Rental branches are located in key U.S. and Canadian cities; Ryder's motor carriers haul freight or bulk liquids in 20 states from New England to Texas.

RYDER SYSTEM, INC.

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Write for a copy of Ryder System's 1957 Annual Report

Overseas Operations: Getting the Help You Need

The "do it yourself" approach to foreign marketing has brought many companies unanticipated problems—problems they might often have avoided by using these practical shortcuts to successful overseas operations.

ALEXANDER O. STANLEY

EVER SINCE World War II, American management at various levels has been busily learning new and strange techniques in international market research, distribution, advertising, packing, shipping, financing, law, and even communications, in order to participate in fast-expanding overseas markets.

Some U.S. executives have actually gone back to school to acquire the specialized knowledge and skills. Others, with less time and money to invest, have tried learning on the job—often an equally costly method in the long run.

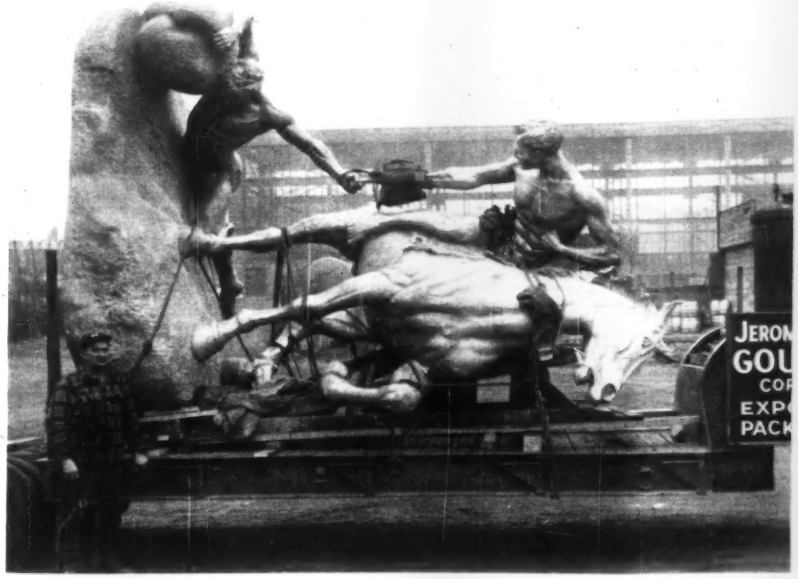
In any case, for every executive who has the time, the patience and the persistence to indoctrinate himself in the complex and frequently curious techniques of doing business abroad, there are dozens whose enthusiasm is blunted by lack of time, lack of facilities, and the overriding pressure of daily business routine.

Fortunately for this group, today it is possible to hire specialists on a full- or part-time basis to take over any business function in which international expertise and specialized knowledge is required.

Available services run the gamut from opening up a complete export division on a global basis to packaging cotter pins for export. You can buy these facilities by the yard, so to speak, to handle a particular problem on a one-time basis—or you can retain them to help you shape a complete, integrated program for long-term operation. Here is a rundown of the services you can hire:

The combination export manager: This type of organization, which is headed by a single executive or group of managers, backed up by a staff of specialists, will test-run your products abroad. If sales materialize they will take over all the drudgery of getting your goods to market overseas. For a fee, which usually consists of an annual retainer plus commissions on sales obtained, they will function as your export division, operating under your company's name. Since the CEM usually carries on business from its own offices—as a rule located in a port city—you are spared some overhead expenses and are shielded from direct contact with individual problems that may arise in handling the daily chores of exporting. The broad decisions you have to make are mostly at the policy level. These involve such things as:

- The advertising budget—but not, except in the broader sense, where or how it is to be spent.
- The product models you prefer to push, subject to the CEM's experience on which of these are marketable under existing conditions abroad.



A FIFTEEN-FOOT statue or a thumb-sized electronic part gets equal attention from engineers of export packing companies like the Jerome F. Gould Corp. of Brooklyn, N.Y.

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Southern New Jersey Development Council
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NAME OF INDIVIDUAL

ADDRESS

SPECIAL EQUIPMENT for overseas shipping: this self-unloading semi-trailer, designed and owned by AAcon Contracting Company, Brooklyn, N.Y., speeds handling on the dock.

● The credit program under which you are willing to finance overseas shipments by offering facilities to acceptable risks. While some paperwork for your credit department may be involved, even this can be reduced to routine under the guidance of your local banker or, if he is not equipped to help you in this area, by the international division of one or more banks suggested by the CEM.

Registering your trademarks, or protecting your industrial property rights, is another area in which the CEM can provide assistance by putting your legal officer in touch with specialists in this field.

And when it comes to the complex business of packing for export, preparing the shipping papers, and getting your products to shipside, the CEM takes over all the details.

Marketability is the key

All in all, if you are looking for a comparatively easy road to export markets—provided your products are exportable—the CEM is the man or organization you want. The hitch: continuity of effort. In order to operate profitably, the CEM has to divide his efforts among the companies he represents. Consequently, ready marketability will play a big part in how well your products fare in world markets. Ultimately the results you get will usually depend upon (1) how carefully you choose your CEM and (2) how much cooperation you give to and get from your CEM in operating an aggressive and flexible export program.

But, if your company already has an international division, there are other more specialized services you can tap:

Management consultants: Whether it's a question of plant location overseas, overhauling your foreign organization structure, or re-evaluating job requirements, compensation factors, or functional controls, you can turn over your problem to any one of a number of management consultants now offering services overseas. Some of the more prominent firms have created separate international divisions in the last few years to provide their domestic clients with a wide range of services equivalent to those available on the U.S. business front. Others, specializing in the international field, have opened branches in the key industrial markets abroad to conduct on-the-spot studies for a growing list of both U.S. and overseas companies. Still other specialists, working through affiliates all over the world, offer effective contacts with foreign commercial, industrial, and government channels. Within reason—and within ethical limits—they can provide you with almost any kind of commercial intelligence you require, on an area or subject basis, to solve specific problems.

Research services: Whatever research data you are looking for—retail store audits, brand preference surveys and consumer panels, public opinion polls, basic market evaluations, population data, industrial potentials, political climate studies, analyses of package or label design, competitive price structure analyses, or data on distribution patterns—you won't have to reach far for help. A number of domestic research organizations have branched out to Europe, Latin America, and even parts of the Far East to provide research facilities for U.S. clients. One rapidly growing U.S. company, specializing in international research, can do a thorough research job for you in any of the 29 countries where it has opened branches. Conversely, a British organization known the world over for the

Rubber gets around

In tires and tubes. Pencil erasers, boots and toy balloons. The benefits of rubber are wherever we ride, work, walk or play.

Many companies, large and small, compete to provide the countless rubber products we use every day.

And the nation's commercial banks contribute something, too.

Commercial letters of credit supplied by banks help move natural rubber from distant ports to U. S. factories. Money, credit and financial services help manufacturers form crude rubber into useful items, and in many cases help retailers stock and sell them.

The Chase Manhattan Bank of New York, a leader in commercial loans, is proud to be a part of this banking system which works with business and industry to provide better living for all Americans.

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SWITCH FROM "SAVING" TO MAKING MONEY!

Why burden yourself and your executives with the countless details of an *unproductive* department—the purchase and care of your trucks?

Leasing your trucks the "NATIONAL" way doesn't cost, it *pays*. That's because you immediately have top executive time available for the profit-making departments of your firm.

You add truck experts to your staff, *but not to your payroll*. You gain both executive time and *capital*.

Do as other profit-minded truck users; plan *now* to change over from ownership to leasing . . . the "NATIONAL" way. For *facts* about truckleasing, write:

National® **TRUCK LEASING SYSTEM**
Members in principal cities in the United States and Canada
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"PHANTOM SUPERVISOR"
on each of your trucks helps cut down wasted time!

WAGNER-SANGAMO TACHOGRAPH graphically reports starts, length of stops, speeds traveled

Do you know how much time your drivers lose by fighting congested traffic? Do you know how much time is lost by long waits at scheduled stops? By installing Tachographs you can improve your routing and scheduling. Tachograph charts give you graphic records of every trip. It's like having a "phantom supervisor" on each run—to help cut wasted time.

Chart placed inside the Tachograph automatically produces a graphic record of time of operation, duration of stops, speeds and distances traveled.

Mail coupon for details on how TACHOGRAPHS can help improve your fleet operation.

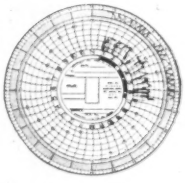
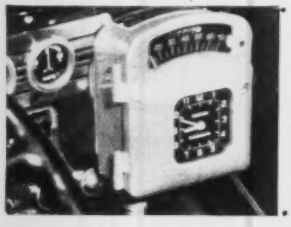


CHART TELLS ALL



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We operate_____ Vehicles WS58-6

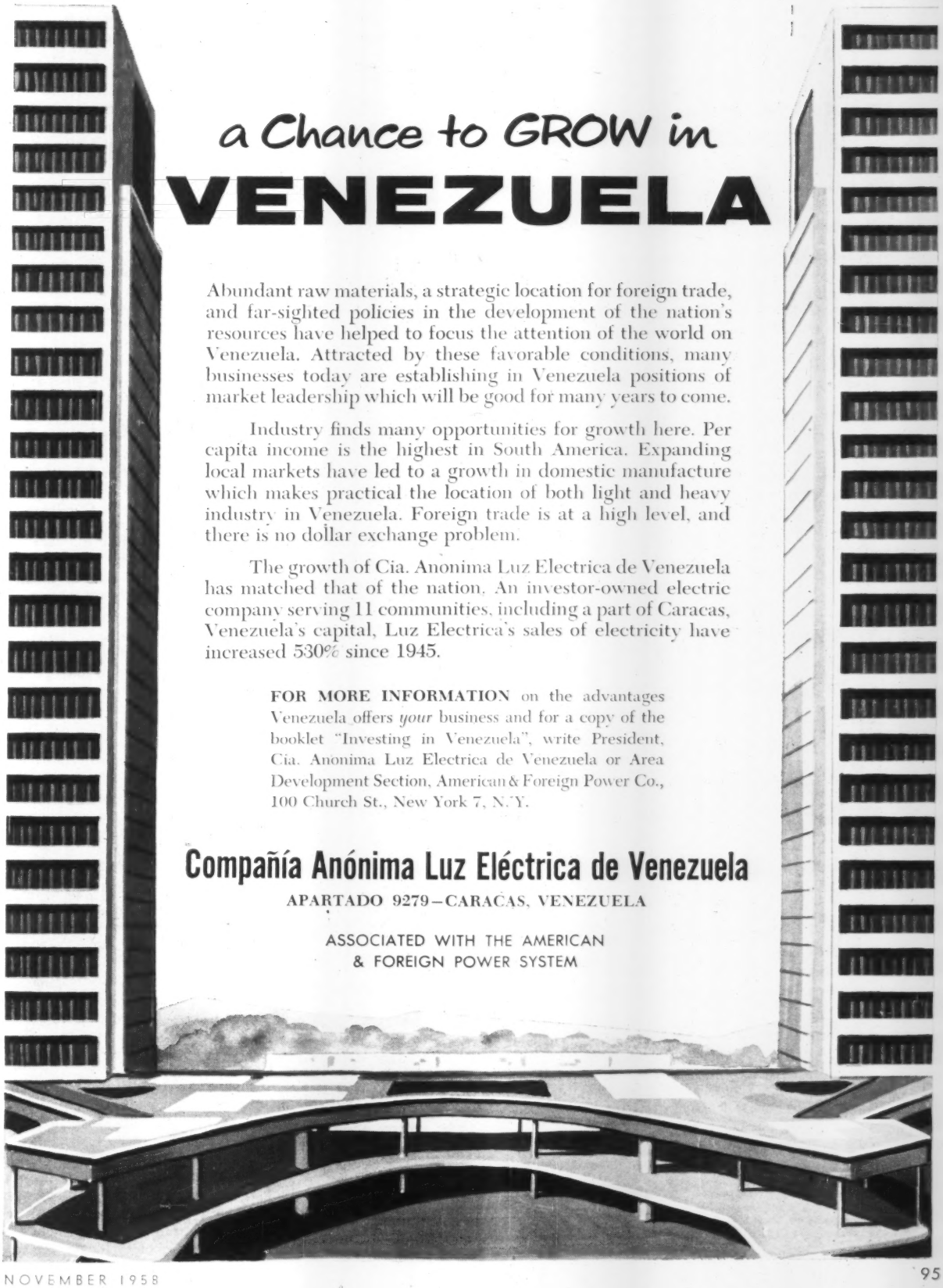
scope and depth of its commercial intelligence has been offering its services to American management through a U.S. affiliate. There is a wide variety of others.

Advertising: Today there is hardly a first line agency that doesn't have its own branches abroad. The rapid spread of U.S. branch establishments overseas, the growth of production facilities abroad to match expanding consumer markets, the trend toward common (mass) markets—all have created a need for on-the-spot advertising facilities. And this type of representation is not limited to companies with million-dollar budgets. Adequate facilities are available to companies interested in advertising programs of more modest proportions through any of a number of U.S. ad agencies specializing in the international field. Your domestic agency can contract for their services—or, if your ad department goes it alone, you can make arrangements directly with any of this group. You can even get expert guidance on a media and or market basis, since foreign newspapers, magazines, radio and TV stations and networks have agents—mostly in New York City—who can help prepare a campaign specifically aimed at any trading center in the world. To construct a budget to suit your financial resources and organize a campaign to fit your requirements, these publishers and network representatives have on file a wealth of marketing data and advertising know-how.

Translations: Nearly every large U.S. city has translation bureaus that can handle correspondence in any language on earth. Of course, if technical jargon is involved, or if brochures, ad messages, manuals, or instruction sheets are to be prepared for foreign readers, and complete accuracy is essential, be sure to hire an organization that knows the technical expressions as well as the nuances of the language in question. Some U.S. export publications offer effective translation services in this area of "trans-writing." But if the volume of translations is sizable, or the copy is particularly important and involved, hire a specialist. Familiarity with your product and his own experience will enable him to present your messages clearly and succinctly.

Legal assistance: Whether it's a question of registering your trademarks, protecting your patents, drawing up an effective licensing contract, or advising you on the right organization structure for maximum tax or trade benefits, turn to one of the growing group of attorneys specializing in the complex field of international law.

Financing: International banking facilities are at hand today in almost every American city. Even if your own



a Chance to GROW in VENEZUELA

Abundant raw materials, a strategic location for foreign trade, and far-sighted policies in the development of the nation's resources have helped to focus the attention of the world on Venezuela. Attracted by these favorable conditions, many businesses today are establishing in Venezuela positions of market leadership which will be good for many years to come.

Industry finds many opportunities for growth here. Per capita income is the highest in South America. Expanding local markets have led to a growth in domestic manufacture which makes practical the location of both light and heavy industry in Venezuela. Foreign trade is at a high level, and there is no dollar exchange problem.

The growth of Cia. Anonima Luz Electrica de Venezuela has matched that of the nation. An investor-owned electric company serving 11 communities, including a part of Caracas, Venezuela's capital, Luz Electrica's sales of electricity have increased 530% since 1945.

FOR MORE INFORMATION on the advantages Venezuela offers *your* business and for a copy of the booklet "Investing in Venezuela", write President, Cia. Anonima Luz Electrica de Venezuela or Area Development Section, American & Foreign Power Co., 100 Church St., New York 7, N.Y.

Compañía Anónima Luz Eléctrica de Venezuela

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'Tis a wise man who keeps his **INVENTORY** under **CONTROL**

Knowing what you have, where it is and when you need more will give faster, more dependable results—and real savings of work, time and money.

Correctly planned inventory records do much more than show "stock on hand"— they list sources, vendors, maximum and minimum quantities, time required for delivery and dozens of other important facts that really CONTROL inventory.

Acme has created and installed hundreds of different Inventory Control Systems. Perhaps one would suit your requirements. If not, your Acme man will design a record to your specifications.

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REPRESENTATIVES IN PRINCIPAL CITIES

bank has no foreign division, it does maintain contact on a correspondent basis with centrally located U.S. banks. The latter, in turn, operate through branches or correspondent banking houses in all the principal trading centers of the world. They offer a plethora of service—cashing and issuing foreign letters of credit, covering outward bound shipments with time drafts, sometimes discounting your overseas receivables, and providing other help. Fees are modest, and in some cases the banking charges are even absorbed by your overseas customers.

Keeping tabs on exchange rates, on foreign regulations affecting dollar payments on the goods you sell abroad, and on the money and market conditions prevailing in some 90-odd countries, are just a few of the other services performed today by international bankers. Their "new business" departments will even send you leads on fresh sales opportunities which flow in from prospective buyers in all parts of the world. These data are yours for the asking. Other types of financing organizations exist. Some few companies specialize today in discounting foreign drafts on a "with (or without) recourse" basis. Understandably, however, the fees are high compared to domestic charges.

The dollar-exchange risk

Factoring overseas accounts is only possible in the dollar-easy markets—and there are not too many of these today. This type of service may eventually be expanded when economic and political trends in some key areas stabilize. Some hint of future facilities is seen in the fact that one prominent U.S. insurance company recently went into the business of underwriting export credit insurance. Except in Iron Curtain countries, it will provide coverage against commercial delinquency and insolvency, at elastic rates—0.5 to 2.5 per cent on 90-day paper—although the premium rises in direct proportion to the risk.

As a rule, the insured exporter must carry from 15 to 25 per cent of the total commitment at his own risk. Political risk and dollar-exchange defaults are still a bugaboo. To some degree, if the commitments in question are large enough to warrant it, you can get coverage through the Export-Import Bank.

The dollar dilemma still plagues overseas marketing, but new services and techniques are probably just around the corner. Currently, one company is said to be exploring the idea of providing an overseas investment package. Under this arrangement, it would help you pick the spot where you want to open up a branch plant, take care of all the red tape in getting your equipment into the country of choice, locate the site,

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MYLAR*
make
Columbia's
New

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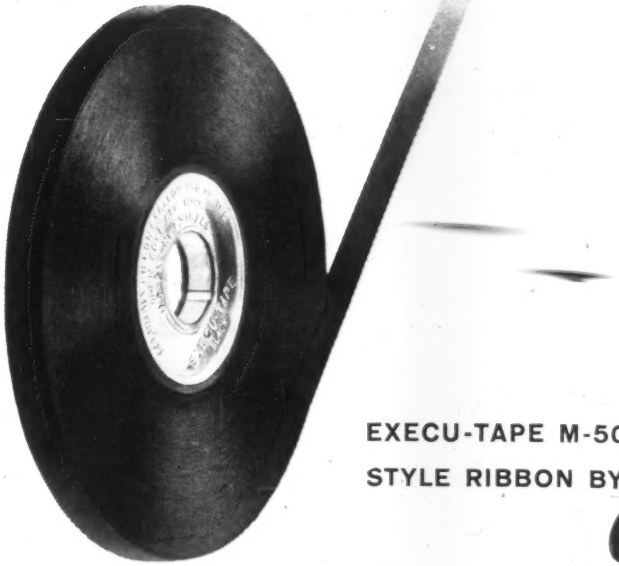
M-50

the strongest carbon ribbon ever developed



Mylar, DuPont's super-strong, super-sheer polyester film, puts the muscles in Columbia's new Execu-Tape M-50 style ribbon, the new carbon ribbon that actually defies breaking, tearing or ripping by any business machine. Execu-Tape M-50 calls an emphatic halt to costly ribbon-fixing interruptions . . . keeps your machines breezing along. Ribbon changes are reduced, too: Execu-Tape M-50 is the longest carbon ribbon of its diameter there is.

In addition, Execu-Tape M-50 creates typing that challenges detection from actual printing: its rugged sheerness encourages the keys to transfer *all* the carbon to the typed page. You'll witness a sharpness of write that unmistakably says "executive" correspondence. And masters—for offset, hectograph and most copying processes—are sharper, surer, more masterful!

Switch to new Execu-Tape M-50—the strongest carbon ribbon ever developed—and forget about rips, tears and breaks!

*DuPont Reg. T.M.

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STYLE RIBBON BY *Columbia*®

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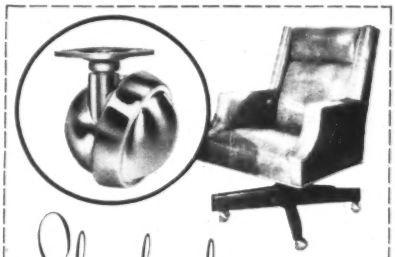

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house and staff the plant, and, if necessary, even arrange to get local (foreign) financing to supplement your own investment.

Leasing of equipment on a fee basis is another phase of overseas marketing service now being explored. As an interesting variant, it is rumored that some European companies have been installing capital equipment and providing materials for some segments of Latin American industry, in exchange for capital share ownership. When it comes to financing, the possibilities are almost limitless. But since all international transactions are affected by the movements of foreign currencies, an international currency expert can often provide valuable advice.

Freight forwarding: Whether your product is to go by air or water, you'll do well to leave the mechanics of your overseas shipment to the international freight forwarder. Scores of these experts, located in the port cities, are only as far away, figuratively, as your telephone.

It's well to keep in mind, too, that several of the larger *domestic* freight forwarders and some international forwarding specialists, maintain branches at the principal ports of exit, as well as the principal inland cities. They provide a traffic network that is economical as well as effective. They can shunt your cargo by the quickest and or cheapest overland route, arrange for cargo space, save you and your customers money by consolidating LCL shipments, repack your goods to conform with foreign regulations and insurance factors, and prepare the voluminous papers that are needed to clear and convey the shipment from the U.S. port of exit to the overseas port of entry. This is one field of activity best avoided by the do-it-yourselfer. Improper packing can mean higher insurance and shipping rates. Faulty documentation—even slight errors in typing—can result in heavy fines by foreign customs officials, to say nothing of delayed deliveries. Careless overland or overseas routing can pile up shipping costs. Although in most cases the importer abroad picks up the tab for the bulk of the shipping charges, what he pays for these is finally reflected in the price that your customers abroad must pay.

Packaging for export: Special packing techniques developed during World War II, when millions of tons of equipment had to be speedily and safely packed for trans-shipment overseas, are being applied today by companies that make a fetish of packing it right. These contract packers or export packagers run "disassembly" lines to tear down and compress equipment into damage-proof crates. They pad, coat, brace, and strap the package so it will with-

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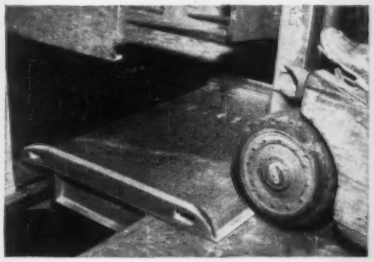

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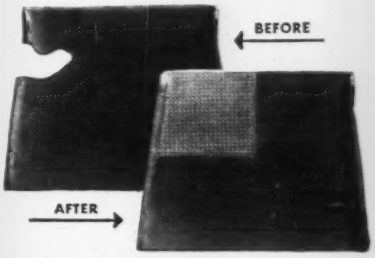

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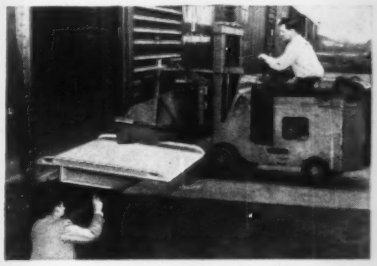

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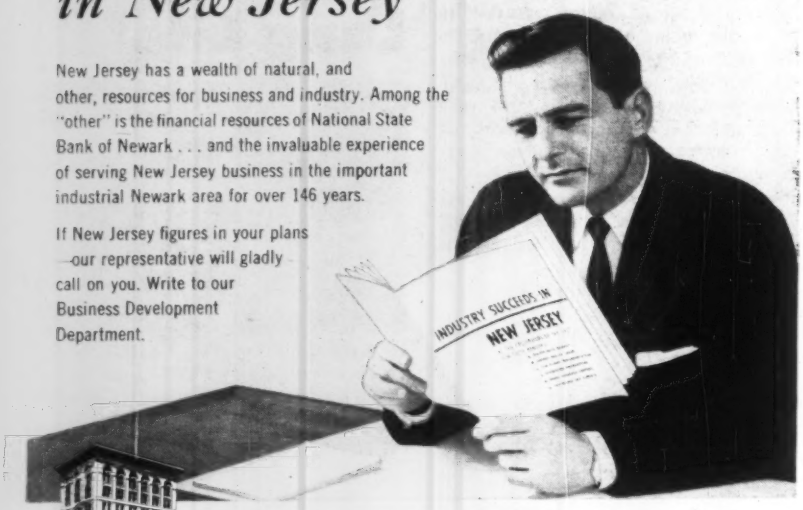

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stand the four major hazards of ocean transport—pilferage, corrosion, rough handling, and crushing weight. The methods developed cut costs as well as risks. One truck manufacturer made a trial run of letting the package experts take over the handling of shipments abroad. He not only saved $2.4 million annually in packaging, shipping, and insurance costs, but also received fewer customer complaints. To disassemble and pack two pick-up trucks of the 1½- to 3-ton variety takes exactly 18 minutes! The operators, using specially devised tools and working in a conveyor-belt pattern, smoothly move the trucks from one dismantling stage to the next. To hold makeready time of stripping the different model trucks to a minimum, all the operators are first briefed on the technique by means of color slides. Parts sensitive to stress are pointed out, so that the component can be safely dismantled. And to avoid a mix-up of parts when the trucks are to be reassembled abroad, a color code is used on components. Parts of the crate are prefabricated with specially conditioned wood.

This attention to detail and to cost seems to permeate the whole field of contract packaging. It's not surprising that even some large international corporations are shifting more of their packaging work and problems to this type of contractor.

Mass packaging is not limited to the massive products. Protective wrapping of small electronic components, dip-coating of small machinery parts, enclosing sensitive equipment in scratch-proof and chemical-proof bags, are just a few examples of the services offered by the modern contract packer.

Handling many different products and exposed daily to many different problems, the contract packer has a broad range of experience to draw upon when he meets the unusual. He is more apt to innovate and experiment than the average packaging department, whose international experience is more limited and confined. All this means better packaging at better prices.

These, then, are some of the facilities you can tap to lighten your workload and give your export aspirations more elbow room. The fees you pay and the time you spend in hiring and working with outside specialists may be one of the most sensible investments you ever made. END

NOTE: DR&MI is planning to compile a list of service organizations in fields reviewed in this article. If you are interested in receiving a copy, please let us know. Address your request to International Markets Editor, DUN'S REVIEW & MODERN INDUSTRY, 99 Church St., New York 8, N.Y.

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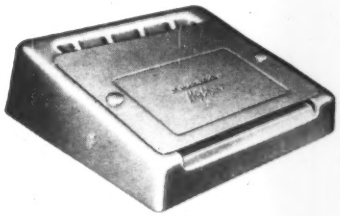

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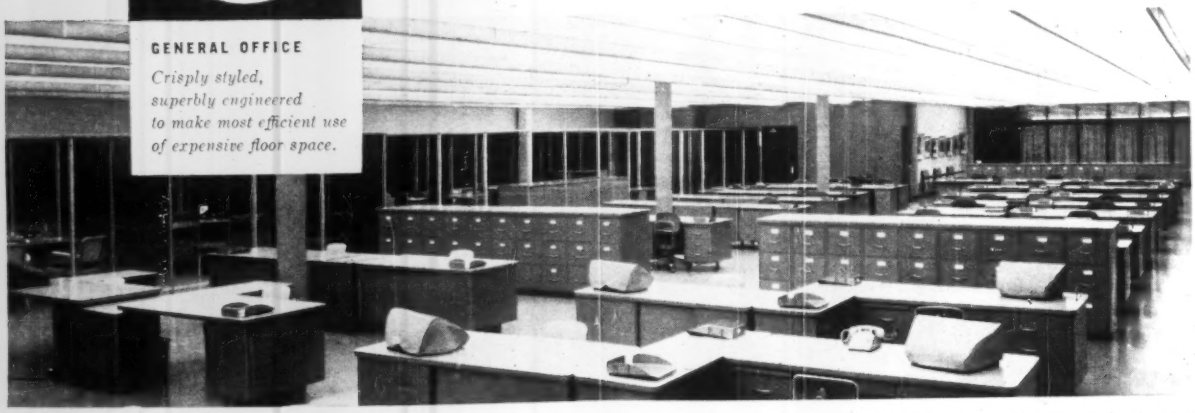

Good business counsel from Ike's top unofficial adviser

Don't Forget the Farm Market

PAUL WOOTON, *Contributing Editor*

BUSINESS MEN on the lookout for growing markets will do well to keep an eye on America's farms and the people who run them. Technological progress and improved management practices have made U.S. agriculture a highly organized scientific operation and a rich market that is certain to expand.

So believes Dr. Milton S. Eisenhower, president of Johns Hopkins University and a former high official of the U.S. Department of Agriculture. While he has been concerned in recent years with the problems of education and educational institutions, the President's brother has kept abreast of agricultural developments since he left the Department in 1942, and his influence over Administration farm policy has been considerable.

"There was a time," Dr. Eisenhower told DR&MI recently, "when most industrial executives thought first of the urban consumer and tended to be indifferent to the specific needs of the agricultural market. Today this is less true. Times are changing, but there is still a need for greater appreciation of the key role of a healthy, prosperous agriculture in the U.S. economy as a whole."

Dr. Eisenhower says there is certain to be disagreement among business leaders as to the best methods of keeping agriculture prosperous, just as between farm leaders and politicians, but there is complete accord among farmers, business men, and politicians that the state of agriculture has an important bearing on our economic stability.

Billions shrewdly spent

An industry with a gross income of $35 billion is bound to be a good market. More than half of farm procurement is now in the hands of cooperatives. Agriculture cooperatives employ buyers who are as capable as the purchasing agents of large industrial concerns. When all the buying was done by the individual farmer he had no bargaining power. Now he does. So, today, equipment must be tailored to meet special farm requirements and specifications.

Some $5 billion worth of supplies are purchased each year for the production and processing of farm products. Nearly 20 per cent of the total goes for machinery. Farmers use 30 per cent of the nation's trucks and 10 per cent of the passenger cars. They spend more than $2 billion for gasoline and other petroleum products.

Potatoes and profits

As in other fields of endeavor, Dr. Eisenhower observes, research has made remarkable progress in the production and processing of agricultural commodities. Agriculture is contributing importantly to the flood of new products coming on to the market. This, in turn, is contributing to farm income and is making business for the railroads and for all those engaged in distribution.

Concentration and freezing of fruit and vegetable juices is one example of research that has resulted in the creation of a multi-million dollar industry and a more stable market. The mixing of dehydrated potatoes and milk was the basis of another new industry—instant mashed potatoes that have real appetite appeal.

Dr. Milton S. Eisenhower

Research has made possible a long staple cotton industry. Cotton and wool fibers and fabrics have been given new and attractive qualities. Sick plants are cured with antibiotics, growth is regulated, weeds are killed, and insects repelled. Livestock losses of $20 million a year have been stopped by chemical control of insect parasites. The beet sugar industry has been given new life by seed improvement which makes possible more mechanization. Hybridity is accomplishing wonders. Among other things, it is building a new sorghum molasses industry. Wood structures have been made stronger, lighter, and more durable.

Rural markets growing

Farmers are blue ribbon customers of the chemical industry. Fertilizers are being bought at an annual rate of $1.3 billion. Purchases of pesticides, weed killers, soil conditioners, and feed additives total nearly as much.

Farmers use 5 per cent of all paint produced—about $75 million a year.

Rural electric systems operating with Rural Electrification Administration loans are spending $225 million for plant and equipment. The rural telephone system has a current procurement program that calls for the expenditure of $90 million this year. Since the REA system serves more than five million farms or other rural establishments, a vast market is being created for electrical appliances. Machinery now is being used on the farm to such an extent that capital expenditure per worker amounts to $16,800—as against the $15,000 investment needed in industry.

The businesslike efficiency in modern farming frequently makes a business

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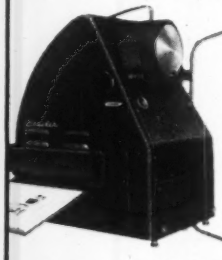

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office necessary. As a result there now is a sizable market for office equipment.

Increased effectiveness in the production of food and fiber helps the nation in maintaining high industrial activity, Dr. Eisenhower points out. The average farm worker now produces enough for himself and twenty others. A hundred and twenty-five years ago he produced enough for himself and three others.

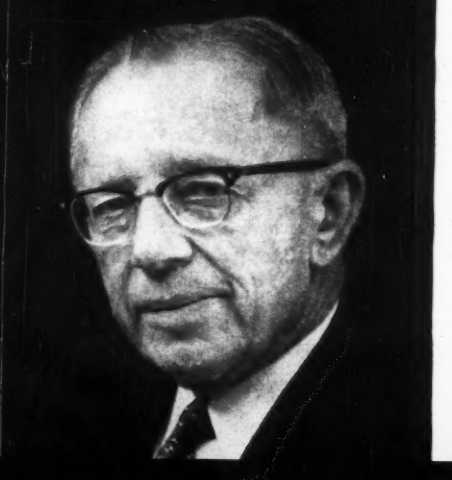
Output per man hour is greater in agriculture than in industry, the Agriculture Department's research service has found. Greater efficiency of farm production has aided industrial expansion in two ways. It has provided relatively cheap sources of food and raw material, and it has released manpower needed in the expansion of industry.

How farm consumption will grow

In substantiation of Dr. Eisenhower's belief that agriculture is an expanding industry, Rex F. Daly of the Department of Agriculture's Market Service points out that requirements for farm products will likely expand 50 per cent in the next two decades. Estimated population growth in America over the same period will account for most of the increased consumption, although an increase of as much as 12 per cent in per capita demand is regarded as possible. Daly estimates that the total economy easily could double by 1975, as could consumer income. All this indicates a strong continuing demand from farmers for goods, materials, and equipment.

So general has become the recognition of rural-city interdependence that today many public and private agencies are sponsoring get-togethers where rural and urban interests can discuss their mutual needs and problems. Personal contacts are supplemented by the circulation of farm-city fact sheets. Kiwanis clubs are supporting this program. The goal is a farm-city set-up in every county seat.

"The bewildering, rapidly changing developments that have taken place in this century," says Dr. Eisenhower, "apply to agriculture as well as to national and world affairs in general. When I was a boy in Abilene, Kansas, the people there thought that everyone's welfare was determined by simple and measurable things such as individual efficiency and the behavior of the weather. They now know that they can be efficient, and the weather can be perfect, and still they can suffer economic hardship because of difficulties in the national economy or disruptions in relations with other nations. Abilene's self containment has disappeared. Agriculture, like Abilene, has been caught in the aftermath of global war and of ideological strife." END



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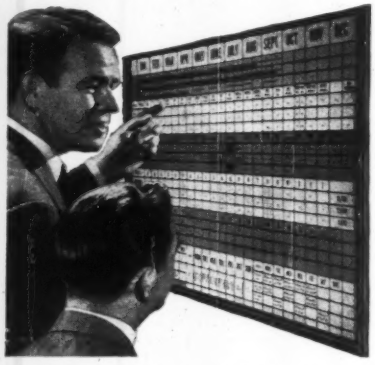

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The author attempts a synthesis of organization theory and the human and social factors in the work situation. No ivory tower treatise, her book details how management, armed with the knowledge of "what makes them tick," can solve its morale and supervision problems.

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UNDERSTANDING COLLECTIVE BARGAINING: THE EXECUTIVE GUIDE *edited by Elizabeth Marting. American Management Association, Inc., 1515 Broadway, New York 36, 415 pages, $7.50.*

This up-to-date, comprehensive discussion of collective bargaining techniques, written in practical terms by a group of 46 authorities, is aimed at the executive who does not specialize in industrial relations.

The Salesman's Paycheck

SALES COMPENSATION MANUAL: A GUIDE TO THE CAPITAL GOODS INDUSTRIES *compiled by the Machinery & Allied Products Institute and Council for Technological Advancement, 1200–18 St., N.W., Washington 6, D.C., 239 pages, $20.*

A collection of sample plans, presented in clear outline form and documented by an MAPI-CTA survey. Should be generally helpful as a guide to management planning and implementation of sales compensation plans.

Credit Theory and Practice

CREDIT MANAGEMENT HANDBOOK, *A Publication of the National Association of Credit Men prepared and edited by the Credit Research Foundation. Richard D. Irwin, Inc., Homewood, Ill., 776 pages, $12.*

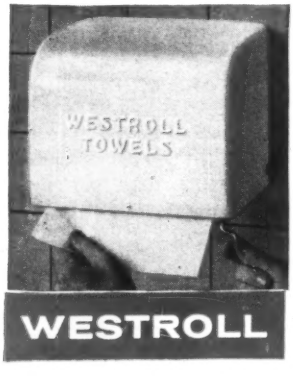
This "first credit handbook ever published" should be a valuable working reference for all business men and their credit managers. More than 100 specialists contributed material on every phase of credit activity.

Guide for Future Growth

LONG-RANGE PLANNING FOR MANAGEMENT *edited by David W. Ewing. Harper & Brothers, 49 East 33rd St., New York 16, 489 pages, $6.50.*

Addressed to top management, this book details the best current thinking on the subject from the *Harvard Business Review*. Includes contributions by leading business executives.

How to save up to 40% on towels



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INDUSTRY GETS SET
continued from page 39

Company, Inc., Philadelphia, which manufactures cans, crowns and closures, and packaging machinery. The company spokesman told DR&MI that Crown is increasing, shifting, and modernizing production facilities to take care of the predicted increased needs for packaging supplies.

W. W. Morris, director of market planning for Westinghouse Electric, reports that future markets will affect the location of both the Westinghouse manufacturing and distribution facilities. In addition, an analysis of the expected mix of population levels is directing the company's product planning effort in an attempt to develop products that have the greatest potential use.

A building materials company with an eye to the future has just completed a new plant addition, despite the current industry condition of excess capacity. Another company has a proposed plant in Canada and will modernize its domestic plant to double its production of plumbing fixtures.

Still another approach is being taken by Robbin & Myers, Inc., Springfield Ohio, manufacturers of electric motors, hoists, pumps, and fans. M. L. Aitken, general sales manager, explains his company's plans this way: "By merger or outright purchase we are obtaining supplementary manufacturing space and sales personnel in order to provide diversified geographical locations to counteract the handicaps of delivery time and shipping costs."

New products for old

New product development, of course, is one of the major ways companies are attempting to clinch their share of future markets. Estimates of the percentage of company sales volume in 1965 which will come from new products not now on the market ranged from 5 per cent to 100 per cent. The majority set the figure at roughly 20 per cent. Manufacturers of aircraft and electrical and electronic equipment, who will be most affected by technological advances, anticipate the greatest degree of new product development.

The Aluminum Company of America is concentrating its product development activities in areas such as building, packaging, and leisure goods, where the best profit potentials are offered.

Rayco Manufacturing Company, Paterson, N.J., is a good example of the company counting on product diversification to swell its future sales volume. Irving Levine, assistant to the president, says the company, which now makes and distributes automobile seat covers, tops, and mufflers, is "building its future by product diversification. Rayco

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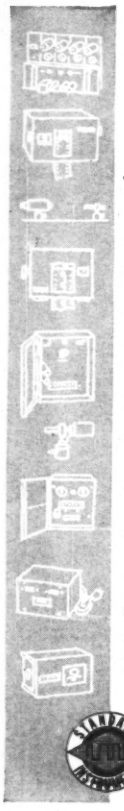

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2

is using product diversification to reach the small isolated markets previously untapped because of their limited potential for a single product. We also anticipate bigger Rayco stores which will enable Rayco to get its full line of products into the hands of customers we have been unable to reach because of the lack of local retail outlets."

Other industries, other sales

Better than half the concerns surveyed have some plans for moving into new lines of industry to take advantage of the changing market. Generally they hope to achieve this end by diversification, acquisition, and merger. Others plan to stay within their own specialty but with a broader product line.

Rayco is a case in point. It plans to build through its present units of distribution, rather than by acquisition of other companies. The Rayco spokesman explains: "We expect to move into the boating industry, where there is a great need for product merchandising, standardization, and application of modern marketing techniques. Tops for boats will probably be the greatest income source. The same craftsmanship is needed for automobile tops as for the tops of boat cockpits."

A farm minerals and chemicals producer told DR&MI, "Perhaps 20 per cent of our sales will be in new lines of industry ten years from now."

A West Coast manufacturer of aircraft and missile component parts reports that a strong effort is being made to find and exploit commercial applications of present military products. And the Underwood Corp., a large manufacturer of office equipment, recently has acquired an electronics company in the field of telemetry and radar.

Large companies which are already highly diversified are constantly seeking new opportunities for further diversification and acquisition. In recent years a major oil company has greatly expanded its chemical research and manufacturing operations, and this process is likely to continue.

All but a few of the companies replying to the survey expect their sales staff will have to be considerably larger, better trained, and better organized to best the competition in a market crowded with new and improved products. Most companies said they would attempt to keep the growth of their sales force proportionate to the sales volume increase. A few companies envisioned staffs triple the size of their present sales force.

A company that intends to make use of several of the outlined measures for capitalizing on stepped-up demand is Wade, Wenger & Associates, Inc., Chicago, which manufactures carpet and furniture cleaning equipment and pro-

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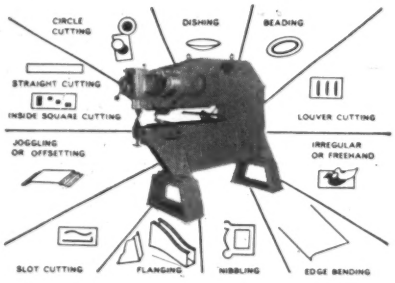

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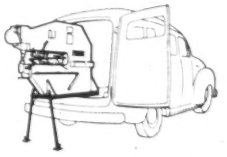

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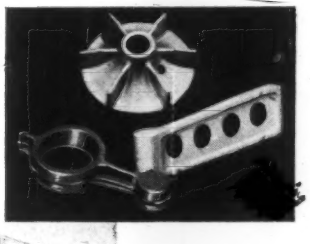

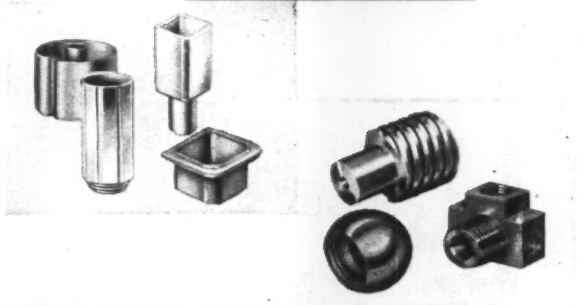

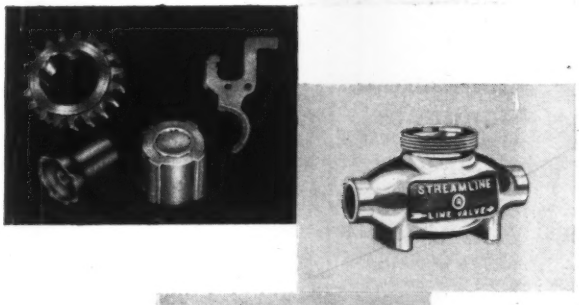

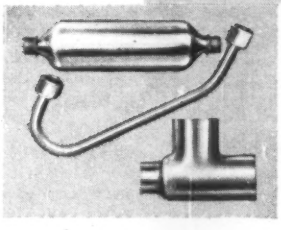

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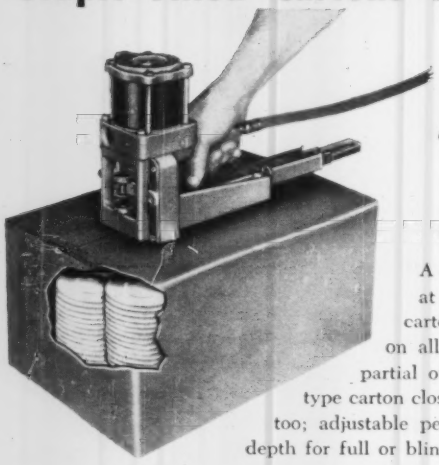

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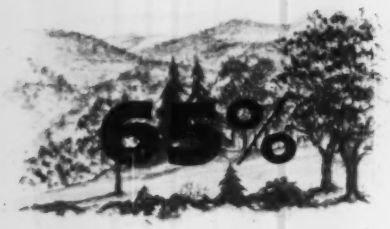

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Changing channels

Roughly 65 per cent of the companies queried believe that some changes in the channels of distribution of their products will be necessary by 1965. Some trends in distribution procedures can be spotted in the various industries represented in the survey.

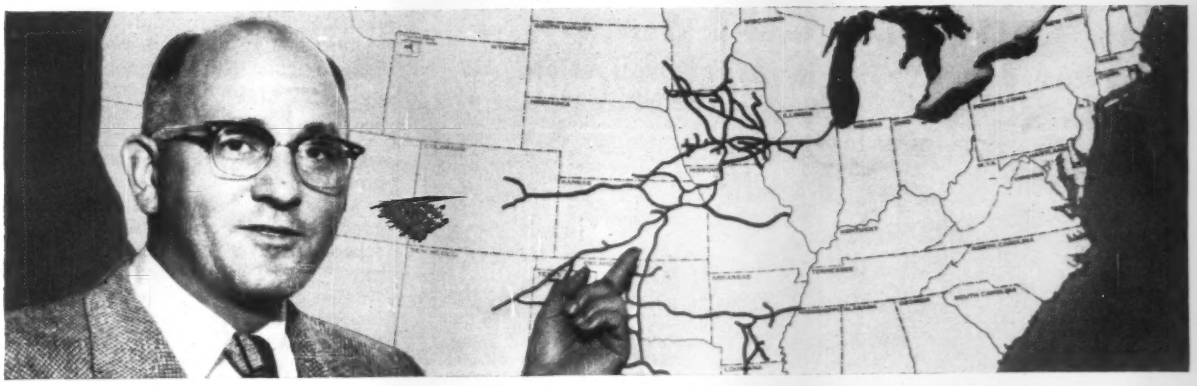
For example, manufacturers of alloy steel, steel plate, and specialty steels are unanimous in predicting increased distribution of their products through warehouses and a reduction of direct mill business. A leading producer of specialty steels intends to employ independent warehouse facilities in addition to its own salesmen, who are now used exclusively.

The Aluminum Company of America plans to make greater use of specialty jobber outlets for the distribution of its nonferrous metal products. Some marketers of petroleum products see an increased emphasis on retail operations. Manufacturers of consumer products generally agree they will seek more large volume outlets.

What will the changing and expansion of channels do to the distribution cost picture in the next decade? Opinion expressed in the DR&MI survey was about equally divided on whether relative distribution costs will go up, down, or stay about the same, although a slight majority foresee higher expenditures.

Some of the reasons given for mounting costs were the general effect of continued inflation, rising transportation costs, the necessity for financing distributors and retailers who are unable to obtain operating capital, and the initial expense of new plant locations and additional sales personnel.

Those who predict a reduction look to expanded volume to offset costs. Others think improvements in distribution



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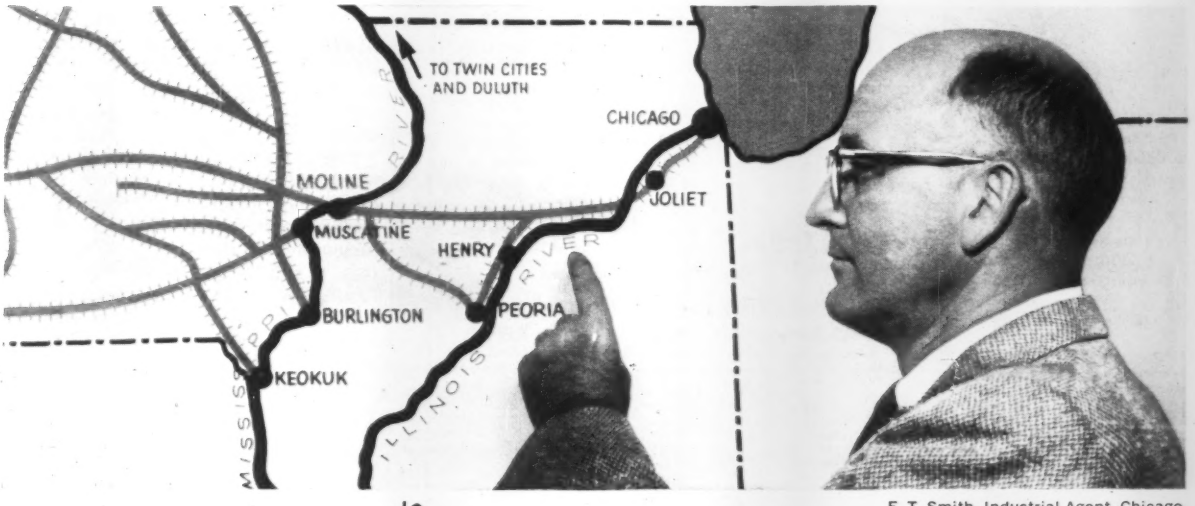

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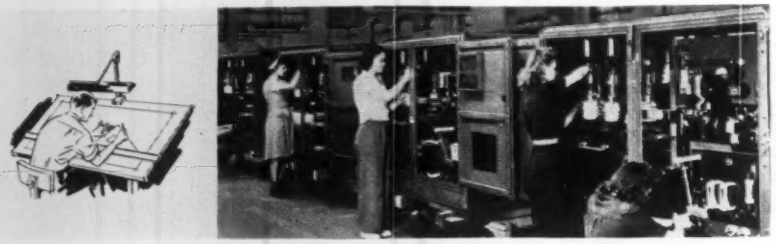

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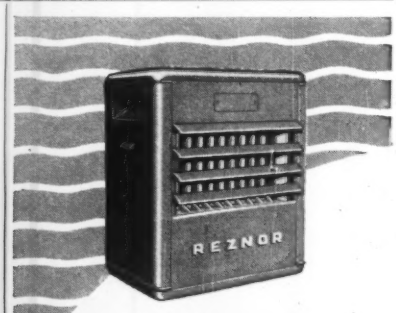

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channels, sales procedures, and the product line will result in more efficient and economical distribution.

The most promising aspect of the expected population boom, in the opinion of most of the manufacturers polled, will be the growth of particular age groups.

Makers of products ranging from candy bars, sports equipment, and school buses to automotive accessories, portable typewriters, and clothing are waiting eagerly for the 9.5 million preteens and teen-agers who will be added to the total population by 1965.

Manufacturers of hearing aids, optical goods, mobile homes, and leisure activity equipment are getting ready to spread their wares before 7 million more persons in the over-45 age group. A dip in the 25–39 age category will temporarily hamper sales in some industries, but by 1970 this section of the population will be swelled by an army of maturing teen-agers.

"New family formations" are magic words to a large percentage of the companies, particularly those in the building materials, furnishings, and appliance fields. It is estimated that more than a million new households will be formed by 1970. This is virgin territory for durable goods manufacturers. Add to this the number of families who will move from city apartments to the suburbs, and sales possibilities in this area look even rosier.

The great migration

Millions of Americans also will be on the move to the more rapidly developing sections of the country, and this will have a marked effect on industry's profits and growth. The Far West and the industrialized South will offer the best opportunity for marketing growth, say an overwhelming majority of companies polled. Several that believe this geographical shift will have a great effect on their business are planning ways to capitalize on it.

A producer of shoe manufacturing machinery is planning the realignment of its sales territories in the South, Southwest, and Pacific Coast. And Rayco has made a series of studies on population composition to spot trends to certain areas. It hopes by establishing units in growing areas to take advantage of the usual lag in the move of services to a new market.

The Borden Company recently consolidated its dairy foods and cheese operations in the South and West for greater efficiency and concentration of effort. Other companies are planning to build or expand manufacturing facilities in areas where labor is more available.

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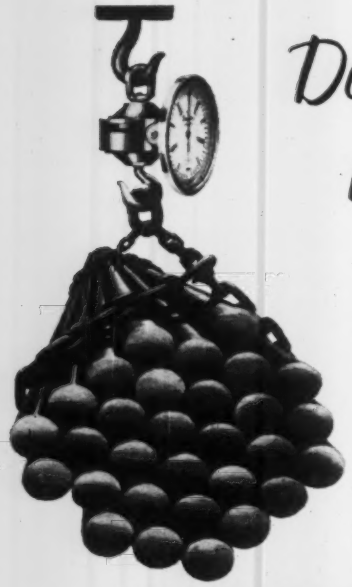

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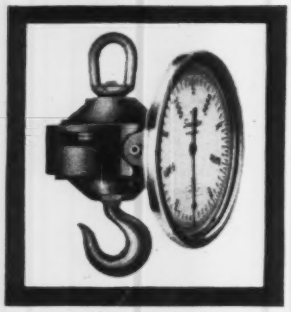

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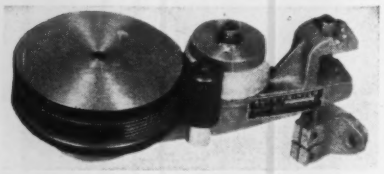

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pect the increase in the higher income class and the retired worker group to boost sales of their products.

The majority of the industry spokesmen replying to the DR&MI questionnaire, while in some cases privately worried about inflation and high production costs, see increased discretionary income as the principal spur to prosperity in the next ten years.

"Increased purchasing power of the people" will keep the nation prosperous, says a livestock feed manufacturer. "Simply the continuing trend to higher standards of living," says a dairy company executive.

Continued population growth is the factor cited by several others. "More people, more demand, more supply," is the way a capital goods sales vice president puts it. "Prosperity results from adequate demand; population growth must furnish the stimulus," declares a farm equipment manufacturer.

Productivity problems

A problem acknowledged by several of the industrial concerns is stated by William M. North, vice president, National Gypsum Company. "The relative decrease in the working age group is forcing a greater demand for increased productivity per worker," he says. It has been estimated that the demand for goods will increase by 40 per cent by 1965, but the labor force available will not increase more than 13 per cent.

One of several who see increased technology and research as vital to economic health is G. M. Foster, secretary of Standard Oil of California, who comments: "Continued emphasis on research and more emphasis on basic education may spur technological development and discoveries leading to new products and improved productivity."

A top executive of another oil company presents this interesting viewpoint:

> Recent stress on the nation's education program raises the probability that our expanded population will be both more highly trained occupationally, and therefore more productive, and better educated, and therefore more selective in consumption. These two developments, of course, go hand in hand. The upgrading in tastes will mean greater and more diversified demand for goods and services which will be supplied through expanded production. An upgrading in housing and consequent continued expansion of urbanized areas is virtually assured. This has obvious promise for expansion of petroleum markets in transportation and home heating.

It would appear that, whatever they have to sell and whatever their problems in getting it to market may be, American manufacturers are alert to the opportunity to serve many more millions of Americans and are working now to nail down their corner of the big 1965 market. END

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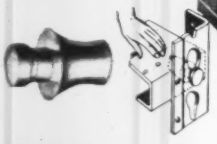

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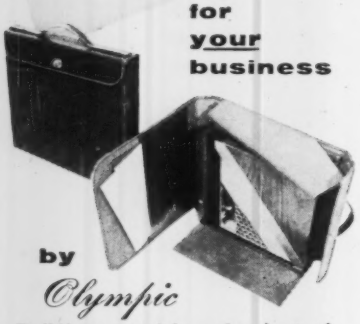

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• Management's job for 1959 is to manage, not to drift, to lead rather than follow, to risk something new rather than play safe with the old catalog of products, services, and ideas. How this goal can be attained is examined in an integrated group of articles to appear in the December issue of DR&MI. The Presidents' Panel will present a digest of ideas, opinions, and projections voiced by some of America's largest producers of goods and services, with special emphasis on the profit margin outlook and measures to be taken to improve it. Horace Sheldon will look ahead at the labor horizon and study the prospects for a moderate or tough attitude by union leaders on wage hikes. Joseph Slevin, from his strategic position on Capitol Hill, will survey the national economic scene with special attention to legislative influences.

• What is the function of a board of directors? This is a simple question with a complexity of answers. Is the board's power limited to an advisory function, or is it a composite voice that dictates action and policy? In the second part of the special Presidents' Panel report begun in this issue, company presidents offer a kaleidoscopic range of opinion. This Panel survey evoked so much interest and so many noteworthy comments that it had to be split into two articles. Part II will appear in the December issue under the title, "The Board of Directors at Work." Read it and understand why some boards have a high polish and others have some annoying splinters. —A.M.S.

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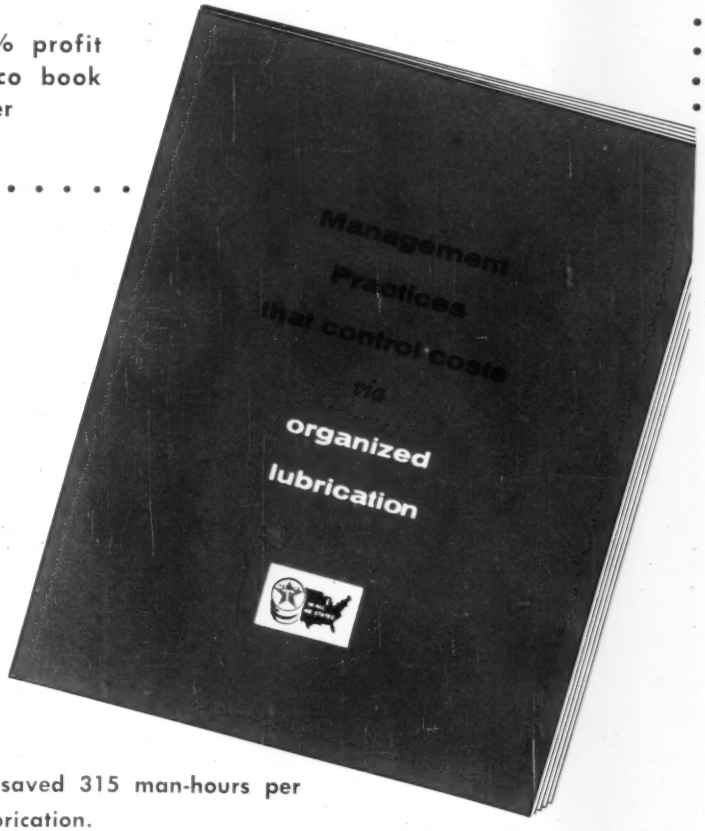

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